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Why social security costs soar
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Poor investment or good insurance?
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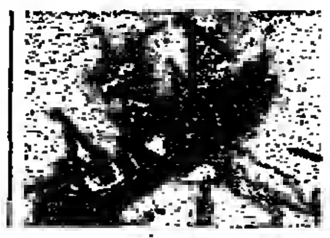
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World Business Newspaper http://www.FT.com FRIDAY NOVEMBER 21 1997

WORLD NEWS

Oil prices fall as Iraq ends crisis over UN inspections

Iraq has ended the crisis over UN weapons inspections by allowing the full UN inspection team back into the country. But President Bill Clinton pledged to maintain pressure on Saddam Hussein and continue the US military build-up in the Gulf, while oil prices hit a two-month low as traders assessed the impact of an end to the confrontation. Some 250 American aircraft and 22 ships are already in position near Iraq, and more jets are expected in Bahrain soon. Page 14, Commodities, Page 24

US trade deficit up
The US trade deficit rose 17 per cent to $11.1bn in September compared with August, fuelled by higher imports from Asia. Page 14; Currencies, Page 23

Eta announces 'truce'
Spain's politicians reacted cautiously to a statement by Basque terrorist organisation Eta, appearing to signify a partial truce. Page 2

Finnish discord over Emu
Finland's main opposition Centre party has demanded a referendum on the government's decision to become a founder member of the Euro. Page 3

Chirac backs ban
French president Jacques Chirac has snpported growing calls for a ban on politicians holding more than one executive position at the same time. Page 3

EU curb on Caribbean trade
The European Union is expected next week to curb trade privileges for present and former colonies in the Caribbean. Page 3

Clinton backs health changes
President Clinton backed a consumer "bill of rights", providing limited guarantees of medical care, as he bid for a new role for the government in regulating healthcare. Page 7

Tajikistan kidnapping
Tajikistan said it was doing all it could to free a French married couple abducted in the capital Dushanbe, but admitted it had no leads on the kidnap. Page 6

Pope to visit Cuba
The Vatican has officially confirmed that Pope John Paul will visit four Cuban cities in January. The trip is regarded as one of the most important in his 19-year papacy.

Aid for Japan's banks
Japan's PM Ryutaro Hashimoto said be supported proposals to use taxpayers' money to bolster the embattled banking system, after pressure from the US to stabilise the financial sector. Page 8

Silicone implants warning
Silicone breast implants rupture mucb more frequently than manufacturers reported, according to a review by the US Food and Drug Administration. Page 9

300 die in Rwanda jailbreak
300 people died when 1,200 Hutu rebels attacked a jail in Rwanda in a vain bid to free prisoners on trial for genocide. Page 6

Pakistan court dispute
Pakistan's president Farooq Leghari was brought into the growing dispute between the prime minister Nawaz Sharif and the supreme court. Page 4

$1m Lichtenstein donation
One of the late American pop artist Roy Lichtenstein'a last wishes has been fulfilled with the donation of his £1m ($1.6m) painting, Interior with Waterlilies, to London's Tate Gallery. The painting was given to the Tate by Douglas S Cramer, the man behind TV shows *Dynasty* and *The Love Boat.*

BUSINESS NEWS

Hoechst shares fall as group reports 49% drop in profits

Hoechst shares fell by almost 7 per cent to DM66.05 after the German pharmaceuticals and chemicals group reported a 49 per cent drop in pre-tax profits to DM2.9bn ($1.6bn) for the first nine months. Page 15

Copenhagen Stock Exchange placed BTL on its observation list following an agreement by Stinnes, Danish subsidiary of Germany's Veba, to acquire a controlling stake in the Swedish haulage group. Page 19

Pernod Ricard, the French drinks group, is in danger of a takeover after the announcement that its founder's shares have been distributed between 31 of his descendants. Page 18

Zimbabwe's industrial share index fell 668 points to an 11-month low of 8,458 amid concerns about land acquisition and a mounting currency crisis. Page 8; Editorial Comment, Page 13

Nasdaq has signed a deal for a communications system that will enable the stock market to trade three times more shares daily. The agreement follows Nasdaq's record trading volume last month when its system handled 1.37bn shares in one day. Page 15

Terra Industries, US nitrogen fertiliser producer, is to pay up to £250m ($430m) for the UK fertiliser business of Imperial Chemical Industries. The move takes Terra out of north America for the first time. Page 15

Rosugol, Russia's state-owned coal holding company, is to be abolished in a government move to speed up restructuring of the country's coal industry. Page 2

Philip Services, Canadian waste management company, and Apollo Advisors and the Blackstone Group, niche investment banking businesses, have made a $1.9bn cash offer for Safety-Kleen, US industrial and environmental services group. Page 16

AT&T, US telecommunications group, is in talks with electronics manufacturers to develop an audio hardware system for playing music downloaded from the internet. Page 16

Atlantic Richfield Corp of the US has won a contract from China to explore for gas in waters partly claimed by Vietnam, provoking a protest from Hanoi. Page 4

Brazilian Central Bank is to cut its basic interest rate from 3.05 per cent to 2.9 per cent from December after the government won a crucial vote to reform the civil service. Page 6

Indonesia's stock exchange index fell to 396.13 from 415.65 and the rupiah lost ground against the US dollar amid growing signs that Korean banks want their money back. Page 17; World Stocks, Page 34

Sega, Japanese maker of video games, suffered a 27 per cent decline in first-half sales, from Y174.9bn to Y126.8bn ($996m), as it met intense worldwide competition. Page 17

Peregrine, Hong Kong-based investment bank, claimed victory in a legal battle with its South Korean partner, citing the court ruling as a positive sign for foreign investors in Korea. Page 15

Industrial Bank of Japan and Daiwa Bank want to sell about 10 per cent of their equity holdings. The sales would reduce IBJ'a equity boldings by Y300bn ($2.4bn) and Daiwa's holdings by some Y200bn. Page 15

S Korea says Japanese banks are cutting credit

By John Burton in Seoul

The financial crisis in South Korea, the world's 11th largest economy, deepened yesterday when Seoul's new finance minister admitted for the first time that Japanese banks were cutting credit to his country.

Meanwhile, investors showed disapproval of a financial sector stabilisation package that had been rushed out by the finance ministry on Wednesday in a belated bid to restore confidence.

The South Korean currency, the won, fell 10 per cent yesterday to Won1,139 to the US dollar, the maximum permitted under a new wider exchange rate trading band. Seoul's main stock exchange index fell by 2.8 per cent to 488.41 points, and benchmark three-year corporate bond yields rose 0.3 percentage points to 14.3 per cent, the highest level in more than two years.

The financial movements are likely to exacerbate the strains at the country's banks, already reeling from the collapse of some heavily indebted industrial companies earlier this year.

That could force Seoul to apply soon for a bail-out by the International Monetary Fund. The government has so far resisted calling for IMF assistance, which could come with tough conditions attached.

Strains at the banks are additionally worrying to international regulators because of their active involvement in lending to borrowers in such countries as Russia, Brazil and Indonesia, using funds borrowed in world money markets.

The plunge in the won has increased concern about competitive currency devalnations among Korea's north-east Asian competitors. That would in turn deflate the price of the region's main exports, risking increased trade friction with the US and European countries.

"Japanese financial institutions are calling beck loans instead of rolling them over," Lim Chang-yuel, finance minister, said yesterday. He suggested Seoul could negotiate with the Bank of Japan to get backing for Japanese short-term loans to South Korea.

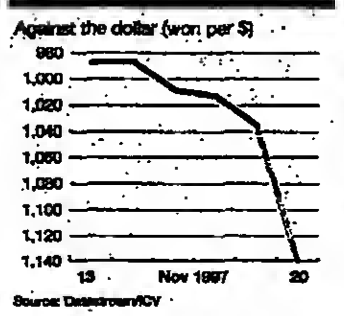
Japan last year held $24.3bn in Korean bank debt, the second largest amount after Europe, according to the Bank for International Settlements. The fact that a third of Korea's short-term debt of $68bn must be paid by year-end has raised fears of a liquidity crisis if the loans are not renewed.

Japan yesterday indicated it would not offer financial support to South Korea nntil Seonl agreed a rescue package for its troubled banking sector with the IMF. A similar line has been expressed by the US.

Analysts predict the won could fall to Won1,300 to the dollar as Seoul has said it will not intervene in the currency markets because of its dwindling foreign exchange reserves, which amounted to $30.5bn last month. The won has fallen by 13.4 per cent against the dollar this week and over 25 per cent for the year.

The stock market fell as overseas investors worried about foreign exchange losses. There were also signs of panic as more than $200m was withdrawn from investment trust companies after newspaper reports that accounts were not covered hy a new deposit insurance scheme.

Won



Source: Datastream/ICV

Apec grapples, Page 4; Bank pressure, Page 8; Currencies, Page 23; World stocks, Page 34

Queen Elizabeth is given a 'happy anniversary' balloon as she celebrates her 50 years of marriage yesterday with a service at Westminster Abbey. In a speech, she made her clearest acknowledgement yet of the need for the monarchy to modernise. Report, Page 10

Picture: Reuters

President's reshuffle fails to appease Russian MPs

Yeltsin attacked despite removal of Chubais from finance post

By John Thornhill in Moscow

Russia's Communist-dominated parliameot continued to bay for blood yesterday in spite of the decision by Boris Yeltsin, the president, to resbuffle his government and strip Anatoly Chubais of his job as finance minister.

In e calculated snub to Mr Yeltsin, the lower house of parliament voted to postpone the first reading of next year's budget until early December, saying it needed further revision. Parliament had been scheduled to vote on the budget today.

Speaking on television, Mr Yeltsin appealed to parliament to adopt tbe budget es he announced tbe appointment of Mikhail Zadornov, the reformist head of the parliamentary budget committee, as finance minister. Mr Chubais remains first deputy prime minister.

Mr Yeltsin said be would fully support Mr Zadornov's attempts to correct the government's financial "shortcomings". "Now close this subject and pass the budget," Mr Yeltsin appealed to Russia's MPs.

But parliament, still incensed by a book-publishing scandal that has embroiled several senior government ministers, continued to demand that Mr Chubais be fired outright from Mr Yeltsin's team.

Three of Mr Chubais's closest political allies, who received lavish payments for an unpublished book on privatisation, have already been sacked from the government.

"Chubais's sbadow will continue to hang over the budget, and to expect that this document will be adopted in such a situation is hardly likely," said Nikolai Ryzhkov, the former Soviet prime minister and a senior Communist party leader.

In stark contrast with the parliamentary mood, there was relief among foreign investors that Mr Chubais had been retained in the government and that Mr Zadornov had been brought in to strengthen the economic team.

"The prime news is that Chubais retains his slot," said one elated western banker. "He will still be the main man co-ordinating economic policy as Russie goes through a very difficult and delicate time."

Mr Zadornov, 34, bas headed the parliamentary budget committee for almost four years and commands respect from across the political spectrum. A noted economist, Mr Zadornov also worked on the high-profile "500-day" plan to restructure the Soviet command economy.

As part of his plan to demarcate cabinet responsibilities more clearly, Mr Yeltsin also promoted Sergei Kiriyenko, the deputy fuel and energy minister, to run the ministry. Boris Nemtsov, another first deputy prime minister, had previously been the acting energy minister.

Yegor Gaidar, the former prime minister and an ally of Mr Chubais, launched a campaign yesterday to restore the reputation of the "young reformers", saying absolutely no blame sbould be attached to the "writers' union" of ministers wbicb received $450,000 for a book ou privatisation.

He alleged the controversy had been stirred up by "professional scandal-mongers" intent on damaging the reformist wing of the government.

Economist to test theories, Page 2; Reformers, Page 13

Malaysian shares slide 11% as ringgit hits low

By James Kynge in Singapore

Malaysian share prices fell 11 per cent and the ringgit hit an historic low yesterday as confidence in the government's ability to handle the nation's financial crisis crumbled.

One of the setbacks was an announcement that the finance ministry would take over the M$13.6bn ($3.85bn) Bakun dam project from its main developer, Ekran. The move convinced some investors that the government is intent on bailing out those businesses with close political connections.

Anwar Ibrahim, deputy prime minister, denied the scheme was a bail-out for Ekran but be made clear that the ministry would recompense the company an unspecified amount for work already undertaken on the dam. Ting Pek Khiing, Ekran's controlling shareholder, acknowledged this week that be had been "hit" by the country's financial crisis and by the postponement of the Bakun project.

"It looks like these bail-outs confirm all these stories of crony-capitalism in Malaysia," said Fan Yew Teng, a writer and a former member of parliament.

Investors are still smarting

Cootinued on Page 14
Apec summit, Page 4; Regional crisis, Page 8; Lex, Page 14

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,832.33	(+107.59)
NASDAQ Composite	1,627.12	(+25.90)
Europe and Far East		
CAC40	2,821.19	(+30.63)
DAX	3,915.94	(+81.12)
FTSE 100	4,908.4	(+78.3)
Nikkei	16,308.49	(+466.03)
US LUNCHTIME RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	5.238%	
Long Bond	101⅞	
Yield	6.016%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	[illegible]
UK: 10 yr Gilt	105.375	(105.465)
France: 10 yr OAT	100.02	(100.05)
Germany: 10 yr Bond	103.63	(103.66)
Japan: 10 yr JGB	108.74	(108.71)
NORTH SEA OIL (Argus)		
Brent Dated	$18.915	(19.315)

GOLD		
New York: Comex		
(Nov)	$303.3	(304.4)
London:		
	$303.75	(305.35)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.69185	
DM	1.737	
FFr	5.81415	
SFr	1.41055	
Y	126.135	
London:		
£	1.6959	(1.6902)
DM	1.7314	(1.7327)
FFr	5.7975	(5.7996)
SFr	1.4043	(1.4041)
Y	125.880	(127.290)
Tokyo close		Y 125.56
Sterling		
DM	2.9363	(2.9286)

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TECHNOLOGY

FINANCE

EMERGING MARKETS

Leaders will put emphasis on action by national governments to deal with unemployment

EU to strike a balance at jobs summit

By Lionel Barber and Michael Smith in Luxembourg

European Union leaders are expected today to agree a modest package to tackle chronic levels of long term unemployment and boost job creation.

Thousands of trade unionists, mainly from France, jammed the streets of Luxembourg yesterday in a bid to maximise pressure on EU leaders at their jobs summit.

Jean-Claude Juncker, the Luxembourg premier, called on his 14 fellow beads of government to agree "realistic" guidelines and a method to follow them up. "The summit can be a great success if we succeed in defining very ambitious guidelines. That will then be success for a day and disappointment will follow," he said.

The package strikes a balance between the leftwing French government's call for an activist approach to job creation and German reservations about EU-wide action which could infringe national powers and dilute the commitment to fiscal discipline in the planned economic and monetary union.

Britain, which has one of the lowest unemployment rates in the EU but will not take part in Emu initially, has joined Italy and Sweden in calling for a "framework for concrete action" to tackle unemployment.

Britain is supporting the majority of EU leaders who are in favour of national plans to improve training, education and job creation among the young and long term unemployed – subject to regular review.

Luxembourg, which holds the rotating EU presidency, is pressing for every young person to be offered a new start before being out of work for six months and for the same guarantee to be offered to unemployed adults within a year.

Leaders will also consider proposals to increase tha proportion of unemployed offered training to 25 per cent from the EU average of 10 per cent. But they have ditched proposals by the European Commission to set a goal of reducing unemployment from nearly 11 per cent to 7 per cent and creating 12m jobs within five years.

The employment package will be sugared with the creation of an innovative lending facility at the European Investment Bank to support venture capital for high technology, and job creation in the health, education and service sectors.

Leaders are also likely to approve an Ecu150m ($172m) programme to boost job creation, using unspent funds from the EU budget. Bnt they seem unlikely to back Commission calls to reverse the long term trend towards higher taxes on labour or to redoce tha rate of value added tax on labour intensive services.

Last night EU leaders gathered for a dinner which focused on plans to enlarge to central and eastern Europe as well as Cyprus. They also discussed the sensitive issue of Turkey'a place in a wider Europe.

Editorial Comment, Page 13
Emu survey, separate section

Monti bid to soothe UK on takeovers

By Emma Tucker in Brussels

A proposal for a law to regulate takeovers in the European Union will not disrupt national traditions and structures and will provide businesses involved in cross-border takeovers with a proper level of legal certainty, Mario Monti, the single market commissioner, said yesterday.

In a letter to Alistair Defriez, director-general of the UK's takeover panel, Mr Monti attempts to allay strong British objections to the proposals. The objections are based on fears the draft law would threaten the UK's non-statutory system.

The current draft directive is based largely on the UK's City Code on Takeovers and Mergers and would not require the UK to change its system, but the panel says incorporating it into UK legislation would result in nuisance litigation designed to frustrate or kill off bids.

Mr Monti rejects this, pointing out that litigation is already a possibility. "The directive does not provide any new means for action to delay the bid. The directive explicitly encourages control exercised by the supervisory authority in a way which avoids recourse to administrative or judicial actions," says the letter.

He also denies the directive does not respect the principle of subsidiarity. The key objective, according to Mr Monti, is "to determine the applicable law and the competent authority to regulate a takeover (which is particularly important in the case of cross-border takeovers) and to ensure a basic level of disclosure and information, tbus guaranteeing transparency during the takeover bid".

Yesterday, Mr Defriez said be was grateful to Mr Monti for taking his objections so seriously. "I would like to give it proper consideration," he said. "Frankly, I think we have different perceptions on what undoubtedly are risks wben you look at litigation."

Mr Monti's letter was sent as tbe Commission publisbed an amended version of the proposal, following a first reading by the European Parliament. The Commission has rejected most of the parliament's more controversial amendments, but has taken up suggestions on keeping employees informed once a bid has been made public.

Consideration of the proposal by member states will begin over the next few weeks. Sweden and the Netherlands alao have doubts about the proposal, and other member states are understood to be ambivalent.

Economist gets to test theories

By John Thornhill in Moscow

Mikhail Zadornov, yesterday appointed Russia's finance minister, is a mild-mannered, 34-year-old economist, who speaks quietly but is listened to carefully.

As head of the parliamentary budget committee for tbe past four years, Mr Zadornov has steeped himself in the mind-numbing complexities of Russia's public finances and won much respect for suggesting how they could be improved.

Antbor of more than 20 books and articles on economics, Mr Zadornov now has the chance to put his theories into practice. But no one suggests it will be easy. The fact that he will become the eighth politician to run the finance ministry in five years gives some idea of the challenge ahead.

Mr Zadornov will bring a crusading zeal to overhauling Russia's draft tax code – which be scrutinised and criticised as head of the budget committee – bnt is boond to support the broad thrust of the government's economic reforms.

His reputation as an imaginative yet tough-minded reformer has certainly reassured international investors, who have been unsettled by the political keelhauling of Anatoly Chubais, the first deputy prime minister and prime architect of Russia's market reforms.

"Zadornov knows the people, ha knows the issues, he knows the facts," says Charles Blitzer, chief emerging markets economist at Donaldson, Lufkin & Jenrette. "He is a welcome addition to the government team."

Mr Zadornov, who had been offered the post of finance minister before, said it had been a difficult decision to enter the government – especially as it had meant splitting with his colleagues in the liberal Yabloko faction. His party's leaders, who advised him strongly against joining the government, now seem intent on giving him a particularly rough time.

Grigory Yavlinsky, Yabloko's leader, said Mr Zadornov's appointment would make no difference to the party's oppositional stance.

Zadornov meets the press in parliament yesterday Reuters

Yabloko would continue to press for a vote of no confidence in the government and oppose its 1998 draft budget.

"First deputy prime minister Chubais remains in place and I do not see any possibility that the new finance minister can exercise a positive influence on the situation in the country," Mr Yavlinsky said dismissively yesterday.

Moscow abolishes state coal company

The Russian government is planning to abolish Rosugol, the state-owned coal holding company, and speed up the restructuring of the country's vast coal industry, John Thornhill reports from Moscow

Yakov Urinson, economics minister, said the ministry of fuel and energy would become the chief stata organisation responsible for regulating tha industry, which prodnces more than 200m tonnes of coal a year and employs more than 800,000 miners.

"A conflict of interest arises when one shareholding company, such as Rosugol, becomes involved in both commercial projects and state support," he said.

The reformist wing of the government has long criticised Rosugol for frustrating attempts to restructure the industry whila pleading for ever-higher state subsidies.

Mr Urinson said the government would now create two new units within the energy ministry to assume many of Rosugol's former functions. One would focus on restructuring the industry and closing unprofitable mines; the other would help alleviate social problems in the worst-affected regions.

The World Bank, which has already lent Russia $500m to help restructure the coal industry, has advised the government to axe subsidies to unprofitable mines and use the money to relocate and retrain redundant miners.

Mr Urinson said the government's latest proposals could result in the World Bank approving an additional loan, of between $500m-$700m, next month. The bank had previously suspended disbursements of its earlier loan fearing it was being misused.

The industry's problems have left thousands of miners unpaid for months and they are threatening to go on strike over the winter.

Bank urged to cut Italian rates

By James Blitz in Rome

Antonio Fazio, governor of the bank of Italy, came under renewed pressure from Italian politicians last night to cut sbort-term interest rates after provisional government figures showed inflation would remain steady this month.

Preliminary consumer price inflation data suggested the final November figure would be an annualised 1.6 per ceot – exactly the same as the previous month.

The inflation data come from surveys in seven Italian cities. They will almost certainly confirm the view of government officials and some economic analysts that Mr Fazio has good reasons to cut Italian rates, which remain well above those in most other European Union countries.

In addition, the data coincided with signs that the government was on track to ratify its 1998 budget in the Italian parliament before the end of the year.

Mr Fazio has said in the past that he would wait for clear signs that the budget would be approved before easing policy. However, it emerged that the budget would clear an important hurdle tomorrow when it gets final approval in the Italian senate.

Government figures have privately expressed concern that Mr Fazio's caution over rate reductions means the government is continuing to pay a high price servicing Italy's overall debt. According to this view, tight policy is also restraining economic growth.

Three-month money market rates are currently at around 6.25 per cent in Italy compared with 3.75 per cent in Germany. Italian monetary policy is expected to converge with that of the Bundesbank in tha run-up to European economic and monetary union in 1999.

Romano Prodi, Italy's prime minister, said earlier this week that Italian inflation was now certain to stay within the 2 per cent limit set by the Bank of Italy, despite recent increases in value added tax.

He also noted that every percentage point cut in Italian rates would reduce public spending by some L20,000bn ($11.9bn) because it would reduce the debt repayment burden.

However, Mr Fazio yesterday used a speech to reiterate that monetary policy needed to be eased slowly. He argued slow rate reductions were essential "to ensure favourable conditions for foreign investment in Italy, taking into account the continual, structural outflow of Italian capital".

Some analysts continned to express surprise at Mr Fazio's cantion. "Certainly, from a macro-economic standpoint, a reduction in short-term rates would be justified now," said Ilaria Fornari, an economist at J.P. Morgan in Milan.

Germans squabble over welfare crisis

Ralph Atkins in Bonn on the recriminations over soaring social security bills

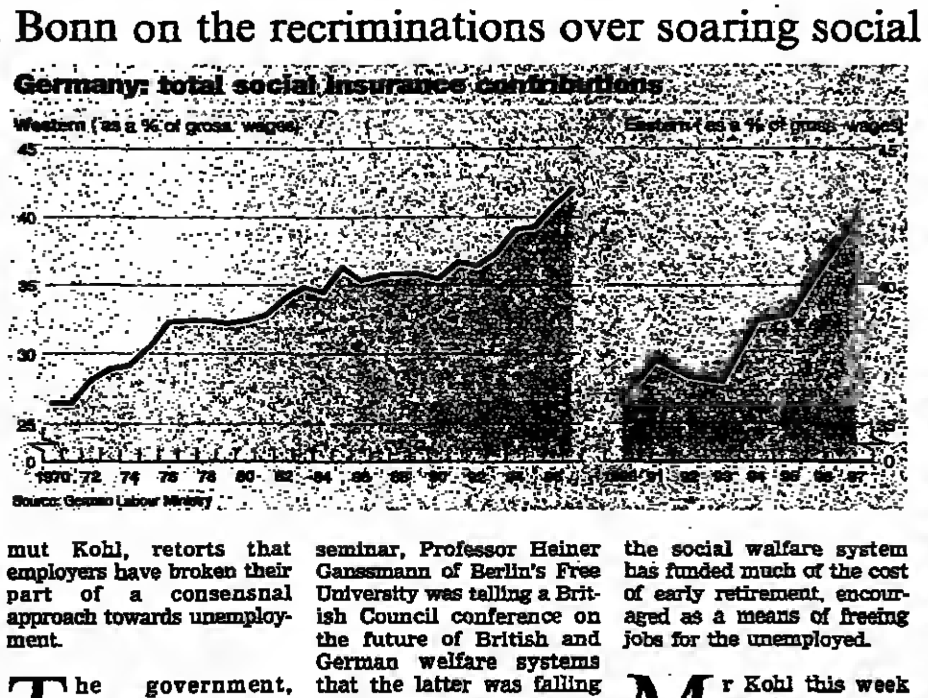
Like any adroit politician trapped tight in a corner, Norbert Blüm, Germany's feisty minister for labour and social affairs, lashed out. "I hear from you only Bonn, Bonn, Bonn," he told complaining employers this week at a conference in Berlin. "I say, recruit, recruit, recruit!"

The cause of his anger was a fierce public row over Germany's soaring state social security contributions, half of which are paid by employees and half by employers. But by taking relations between Bonn and industry to a new low, Mr Blüm has unwittingly undermined still further the consensus which bas traditionally underpinned the generous welfare system.

High unemployment, pressure on public finances and an ageing population have left the much-prized pay-as-you-go welfare system creaking. Pension contributions next year will rise to a record 21 per cent. And Mr Blüm is taking the blame for allowing non-wage labour costs to rocket, a development which has added dramatically to the cost of doing business in Germany.

"The policies of Mr Blüm must increasingly be seen as a risk to competitiveness," says Hans Peter Stihl, president of the German chambers of industry and commerce.

For his part, Mr Blüm, the longest-serving and one of the most left-leaning cabinet colleagues of Chancellor Helmut Kohl, retorts that employers have broken their part of a consensnal approach towards unemployment.



The government, argues the labour ministry, has sought savings and improved labour market legislation while unions have urged wage moderation. But industry has not taken on staff: rationalisation and exporting production overseas remain its priorities. Worse, from the point of view of social insurance funds, are the increasing number of jobs paying less than DM610 ($352) a month, below the threshold for social security contributions.

But outside the government, Mr Blüm finds few obvious supporters. While he was berating employers at a Christian Democratic party seminar, Professor Heiner Ganssmann of Berlin's Free University was telling a British Council conference on the future of British and German welfare systems that the latter was falling victim to "state failure rather than market failure".

"A few years ago, there was nothing considered as stable as the German pension system. That has completely changed. The main reason is the political management," says Prof Ganssmann.

The additional burdens on the system are numerous. Most dramatic has been the impact of German reunification and Mr Kohl's determination to bring provision in the east up to western standards.

This year alone, pension insuranca transfers from west to east will reach DM17bn. At the same time, the social walfare system has funded much of the cost of early retirement, encouraged as a means of freeing jobs for the unemployed.

Mr Kohl this week accepted that "we have arrived at the limit of what is possible" with the social state. But despite alarm at the rise in pension contributions to 21 per cent of gross wages, his centre-right coalition has failed to win agreement on a refinancing package that can win approval from the Bundesrat, the second chamber of parliament controlled by the oppositiou Social Democratic Party.

There is also resistance from within the coalition's own ranks to increasing value added tax as a means of subsidising the pension system.

An alternative would be to narrow the coverage of the part of the scheme financed by social security contributions. That would leave open the possibility of using tax revenues to help those who fall through the system as a result, as wall as paving the way for significant cuts in contributions. It could also ensure the long-term sustainability of pay-as-you-go systems.

Mr Blüm argues that the statutory system offers more than a private insurance system; it encourages solidarity between social groups and regions. He points to the more than DM80bn spent annually out of taxpayers' funds to subsidise the pension system. "You can't treat social insurance in a book-keeping manner," he says.

But almost as he was speaking, Horst Seehofer, the federal health minister, was warning the young in particular that it might be foolhardy to rely totally on the state welfare system. "You have to say [to young employees] that their living standard in old age is no longer secured through the pension insurance. Yon must make your own provision through private life or pension insurance or other capital assets."

With confidence in the state welfare system falling, Mr Blüm is finding it increasingly difficult to patch back together a consensus behind the existing system. And ontbursts against industrialists may not help.

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NEWS DIGEST

Eta announces partial 'truce'

Spanish politicians reacted cautiously yesterday to a statement by the Basque terrorist organisation Eta which appeared to signify a partial truce.

In the radical Basque daily newspaper Egin, the organisation said it was suspending planned actions "on the prison front" – a reference to its campaign against the dispersal of 500 convicted Eta members in jails around the country.

The announcement was the first sign of a shift in Eta strategy since the public outcry in the summer when it executed a local conservative councillor whom it had kidnapped to try to force a change in government policy. The murder came shortly after police freed an earlier kidnap victim, a prison officer held in appalling conditions for almost 18 months.

Eta called on Basque parties to back its demand for prisoners to be moved to jails near their homes. The initiative came as Basque politicians prepared to discuss the prison issue in Madrid last night with Jaime Mayor Oreja, interior minister. Mr Oreja said Eta's statement was open to "many interpretations, all of them confusing". The Basque Nationalist party, which heads the regional government, welcomed the Eta declaration but said it was "insufficient". *David White, Madrid*

■ TURKEY'S WELFARE PARTY

Erbakan winds up defence

Necmettin Erbakan, leader of Turkey's Islamist Welfare party, yesterday wound up his defence against a state prosecutor's demand that the party be closed for conspiring against the secular state and bringing the country to the brink of civil war.

Mr Erbakan spoke for 11 hours during three days of hearings before the constitutional court. The sessions were closed to the public, but party officials say Mr Erbakan argued that the prosecution relied on hearsay and that closure of the party would violate the constitution and international human rigbts conventions signed by Turkey.

Mr Erbakan said he recognised that some party members, inclnding one MP, had made statements calling for a violent uprising against the state, but argued they did not represent the party's official view.

Most commentators believe the court will rule against Mr Erbakan. If so, the party would be closed, and Mr Erbakan would be stripped of his political rights for five years and lose his seat in parliament. Party officials say they are ready to set up a new party immediately after a negative verdict. *John Barham, Ankara*

■ RENEWABLE ENERGY

Blueprint for green electricity

The European Commission has drawn up a Ecu165bn ($189bn) blueprint for doubling the amount of electricity generated from renewable energy to 12 per cent by 2010.

A white paper to promote renewables such as solar and wind power promises to create up to 900,000 new jobs and cut by five per cent greenhouse gas emissions associated with climate change. The draft proposes financing the programme through a combination of tax breaks and aubsidies for "green" electricity sales and investment.

If approved at a full meeting of the EU executive next Wednesday, the action plan could be submitted to energy ministers as early as December 8. This would come in the middle of the Kyoto negotiations in Japan to tackle climate change.

The EU wants industrialised countries at the meeting to agree a 15 per cent cut by 2010 in greenhouse gas emissions including carbon dioxide from the consumption of fossil fuels. *Leyla Boulton, London*

■ HUNGARY

Row over Nato referendum

A Hungarian pacifist group yesterday said it had asked the National Election Committee to declare that last Sunday's referendum on Nato membership was invalid.

The Alba Circle group, one of the leaders of the anti-Nato opposition, said that despite the overwhelming 85 per cent in favour of Hungary joining Nato, the referendum was invalid because less than 50 per cent of the electorate participated.

"The 1989 referendum law… requiring an over 50 per cent turnout for a plebiscite to be valid is still in force," the group said in a letter to the committee.

The election committee said on Monday it was aware that the referendum law was still in force until the end of the year, but said a constitutional amendment passed in July took precedence. The constitutional change says a referendum is valid as long as at least 25 per cent of the electorate has voted either for or against the issue being decided.

Along with Poland and Czech Republic, Hungary has been invited to join Nato in a first round of eastward expansion in 1999. Hungary is the only one of the three to hold a referendum on the issue. *Reuters, Budapest*

■ AUSTRIA

Call for single currency vote

The far-right Freedom party will begin collecting signatures next week in an effort to force the Austrian government to hold a referendum on whether the country should adopt the single European currency when it is introduced in 1999.

Jörg Haider, the party's leader, argues that the country should wait five years before signing up to the euro.

The party has made strong gains over the last decade on a populist platform, partly by exploiting the suspicions that many Austrians have about foreigners and foreign influence. Such sentiments include distrust of the European Union because of perceptions that it is eroding the sovereignty of Austria, a member country.

The Freedom party is just a few percentage points short of replacing the conservative People's party as the second strongest political force in Austria, behind tha Socialists. Mr Haider said the referendum was necessary because when Austrians voted in 1994 to join the European Union, they had no say on whether they wanted to take part in the single currency system. *AP, Vienna*

■ NAZI GOLD CONFERENCE

Swiss ready to defend role

Switzerland yesterday said that it would attend a meeting on Nazi gold in London next month, but warned it would refute any unfounded or exaggerated attack on the country's role during the second world war.

Leading the Swiss delegation will be Thomas Borer, who runs the "Switzerland World War II" group, which deals with criticism levelled against the country and its public and private banks over their handling of Nazi gold.

Mr Borer stressed that the role of the conference was to "promote the establishment of facts relating to transactions of gold from Nazi Germany, as well as transactions concerning works of art."

The conference will consider how to return or how to compensate for fortunes seized by the Nazis. But the delegation will, if necessary, refute "any unfounded or exaggerated charge against Switzerland and its institutions," said Swiss officials.

The government yesterday confirmed that Jean-Pierre Roth, vice-president of the Swiss central bank, would also be in the delegation at the conference in London on December 2-4. *AFP, Bern*

Parties come to the aid of Ukraine

Charles Clover on electoral reform aimed at ending gridlock that plagues the country's politics

In June, Ukraine parliamentarian Oleksandr Elyashkevich accused the then prime minister of being corrupt. Today, with parliamentary elections a little more than four months away, they are in the same party.

Such is the effect of a new election law designed to turn Ukrainian party politics from "chest-beating" to decision-making.

Mr Elyashkevich and Pavel Lazarenko, who was forced to resign from the premiership in July under threat of impeachment, are so far the strangest of the strange bedfellows that have been created in the run-up to the election in March.

The new election law gives a distinct advantage to large political parties and has led to a wave of unexpected friendships. But defenders of the change say it heralds the end of Ukraine's notorious gridlock politics.

Indeed, Mr Elyashkevich and Mr Lazarenko are not the only politicians in Ukraine suddenly to put aside personal differences and join together in pursuit of what they are now saying is the country's greater good. "There are soma mergers that seemed impossible before but now they are happening," said Ivanna Klympush of the Ukrainian Centre for Independent Political Research in Kiev.

Two of the biggest names in Ukrainian politics, former president Leonid Kravchuk, and Yevhen Marchuk, the former prime minister, have got together to form the Social Democratic Party of Ukraine (United).

And Hrihory Omelchenko, a reformer who earlier stated flatly that he would under no circumstances join any political party, is now on the election list of the Ukraine Forward party headed by centrist Victor Musiyaka.

"The new election law, that is the main reason," said Ms Klympush.

In the past, parliamentarians ran for seats on an individual basis. Under the new law, half the seats in the new parliament are allocated by party list. And to qualify for any seats, a party must win at least 4 per cent of the vote.

In practice, this will favour parties that are large and well organised, such as the Communist party or the nationalist Rukh party, but some moderate parties such as Mr Lazarenko'a Hromeda, Ukraine Forward, and the Social Democrats are gathering strength.

At the moment the system is an endless round of battles between President Leonid Kuchma and parliament which prevent practically any policy emerging. The 1997 budget was passed only about half way through the year and next year'a looks like it may have the same fata.

Analysts do not agree about whether the change will be for better or worse. Most agree thet strong parties will strengthen parliament relative to the president, but that is about as far as it goes.

"Development of a strong party system is essential for a well functioning political syatem in Ukraine," said Mr Pikhovshek. A western diplomat agreed: "Real political parties might put an end to the chest-beating which passes for politics here."

But others say that parliament is already too strong, and that is the reason for the impasse. "We have too much democracy here," noted an official in the president's administration, only half-jokingly.

In a recent television programme Mr Elyashkevich was reminded that he had told a Ukrainian newspaper not so long ago that "the interests of Lazarenko and the interests of Ukraine often go in diametrically opposite directions". It appeared, said the interviewer, that "you have chosen the interests of Lazarenko".

"I have chosen the interests of Ukraine," beamed Mr Elyashkevich. "Yes, it is quite difficult at times to work with Mr Lazarenko, knowing his shortcomings," he said later. "But sometimes, politics requires that one work towards a goal, even to worsen one'a own image, in order to really help the situation in the country, to help one's people.

"I think that the objective reality now requires the unification of extremely different people, in order to change the situation in the country."

Ukraine's currency, the Hryvnia, is facing increasing pressure, writes Charles Clover in Kiev.

The official rate of the Hryvnia on the Ukrainian currency exchange in Kiev is set at 1.88 to the dollar, although on Wednesday evening some banks in Moscow, where trading in the Hryvnia is unregulated, registered trades at exchange rates of more than 2 to the dollar.

In the past few days banks in Kiev trading in Hryvnia have compensated for the government's exchange rates by charging high commissions on sales of the currency at the official rate, according to one banker.

Previously, Ukrainian banks who traded on the Ukrainian exchange were allowed to buy dollars with up to 15 per cent of their capital, but last week this privilege was revoked.

The Hryvnia has been hit hard by worldwide financial turbulence, as the government depends on foreign capital to finance over half of its T-Bill debt, and hard currency reserves are slim.

Kravchuk (left) and Marchuk have formed the Social Democratic party

Chirac backs plan to limit executive roles

By Andrew Jack in Paris

Jacques Chirac, France'a president, lent his support yesterday to growing calls for a ban on politicians holding more than one executive position at the same time.

Addresaing the annual conference of mayors in Paris, he said he was in favour of immediately banning individuals from occupying more than one executive function, such as government minister, mayor and head of a regional or general assembly.

"Those who have been given executive responsibilitiea should devote fully themselves to them," he said. He warned that the French peopla expected such a reform, and that to maintain the status quo would be to risk "compromising the renewal of French political life".

His commants serve to reinforce long-standing proposals from France's Socialist party to clamp down on the "accumulation of mandates".

Lionel Jospin, the prime minister, made it an important point of his failed presidential campaign in 1995 against Mr Chirac, and reiterated the policy again during this year's general election. Mr Jospin has promised recommendations later this month. Not all of his ministers have resigned as mayors, and Dominique Strauss-Kahn, economics, finance and industry minister, is planning to stand as head of the Ile-de-France regional elections list for the Socialists.

The government'a proposals have aplit rival politicians and parties, especially on the right. The Socialist party last year adopted recommendations calling for a ban on a national politician also holding a seat in the European parliament or a local executive position.

François Léotard, head of the centre-right UDF coalition, supports reform but has requested that any modification should be made well before or after the regional elections next March so that tha implications do not confuse voters.

Call for vote on Finland's euro launch

By Tim Burt in Helsinki

Finland's main opposition party yesterday demanded a referendum on the government's decision to become a founder member of the European single currency and warned that the country was ill-prepared for economic and monetary union.

Esko Aho, the former prime minister and leader of the Centre party, said that most Finns were against the euro and the issue should be put to a national vote.

Unlike its Nordic neighbours Sweden and Denmark, Finland has committed itself to the euro and already begun preparations for its launch in 1999.

Mr Aho, who as prime minister negotiated Finland's entry into the European Union in 1995, said: "The government is making a mistake. Finland is not ready and should follow Sweden in adopting a wait-and-see approach."

The Centre party hopes to force a parliamentary vote on a referendum early next year.

Mr Aho said he had won tacit support from disaffected members of the five-party ruling alliance.

Recent opinion polls have shown that almost 60 per cent of Finns have reservations about joining the euro in the first wave.

Mr Aho told the Financial Times that Finland's participation in the euro could damage its trade relations with Sweden, Denmark and the UK, which will remain outside the currency initially. Those three countries account for more than 25 per cent of Finnish exports.

"Finland is taking the wrong path," he added. "And without public support the decision to join [Emu] has no legitimacy."

His warning was flatly rejected by Tarja Halonen, minister of foreign affairs. She said that Finland risked being marginalised if it did not become a member of the euro.

"We cannot afford to be sceptical. The best thing for Finland is to be part of this process," she said.

Finland, which assumes the EU presidency in 1999, would use its membership of the euro to introduce a "northern dimension" to the debate over how the currency should operate, Ms Halonen said.

But she denied claims this week by the Finnish Institute of International Affairs that the government was seeking to strengthen its ties with the EU to avoid reaching a decision on membership of Nato.

Ms Halonen said the Finnish government – anxious not to antagonise Russia over Nato's enlargement eastwards –, would work closely with Nato on security issues without seeking full membership.

At the same time, she emphasised that Finland would support a common European foreign and security policy and become an active member of the Western European Union.

Dutch court removes bar to EU compliance

By Gordon Cramb in Amsterdam

The European Union is expected next week to curb trade privileges for present and former colonies in the Caribbean, after a Dutch appeals court overturned an unprecedented legal block.

It ruled that a judicial bench in The Hague acted beyond its powers last month when it forbade the Dutch government from co-operating with an EU quota plan.

The quotas would end a six-year regime allowing free access for consumer staples such as sugar and rice.

The injunction tied the Netherlands' hands on an issue which required the unanimous backing of member states. It was the first time a court in any EU country had dictated its government's voting stance.

The move had stalled efforts by Brussels to stem a steep rise in shipments of agricultural produce from the so-called Overseas Countries and Territories (OCT).

Much consisted of re-exports of crops grown elsewhere in the region and processed on OCT islands such as the Netherlands Antilles and Aruba in purpose-built plants.

One of these, the Aruba-based Emesa Sugar (Free Zone), brought the complaint when Hans van Mierlo, Dutch foreign minister, reversed his previous support for the colonial industry.

The US-Brazilian-owned Emesa, which began output only in April, was yesterday considering a direct appeal to the European Court of Justice in Luxembourg.

"The impact of the ruling is that it is practically impossible to import sugar from the OCTs into Europe," said Gerard van der Wal of the law firm Barents & Krans in Brussels, which brought the case for Emesa.

"It will have to stop its activities there," he added.

NEWS: WORLD TRADE

Thailand warned over rail fiasco

By John Ridding and Simon Davies in Hong Kong

Sir Gordon Wu, chairman of Hopewell Holdings, yesterday warned that Thailand's handling of tbe Bangkok infrastructure project which his company had a contract to undertake threatened future foreign investment in the country.

Cnndemning the government's treatmeot of the stalled road and rail project as "totally irresponsible", Sir Gnrdnn said fnreign investnrs wnuld increasingly discriminate between countries in the reginn after the Asian financial crises and econnmic dnwnturn.

"If they dnn't treat us right, who in future will go to Thailand?" be asked.

The Hopewell chief's barrage followed reports that the new Thai government has upheld an October decision to cancel the $3.7bn contract to build a mass transit system in Bangkok after delays in the project and failure tn agree nn revised terms. Thai newspapers have also reported that tbe state railway is planning tn sue Hnpewell for Bt64bn ($1.6bn) over its alleged failure to complete the scheme.

Sir Gordon said be bad still to receive a letter confirming the cancellation nf the project and had seen no evidence of a lawsuit from the state railway.

Thailand still displayed reservations about foreign investment, be said. Hopewell's power projects in Indnnesia were proceeding and bonds would be issued against them.

Sir Gordon said the government was still manoeuvring over the mass transit project, which he described as "a litmus test" of cross-border capital flows in the region. He said mainland Chinese business groups had expressed interest in the project, but tbeir participation would depend on the Thai government's stance.

Apec grapples with market turmoil

Region's turbulence tops agenda at Asia Pacific Economic Co-operation forum

The financial and economic turbulence in south-east Asia is set to dominate the annual talks between leaders and foreign and trade ministers of the 18 members of the Asia Pacific Economic Co-operation forum, which open in Vancouver today.

The meetings, spread over six days, are the highest-level gathering of Pacific rim governmeots since financial turmoil erupted in Asian markets. Apec, which embraces almost all the countries immediately affected by the upheavals, is expected to try tn play a stabilising role.

A atrong and united response by the lesders – whn include US President Bill Clintnn and China's President Jiang Zemin, along with the Japanese prime minister, Ryutaro Hashimoto – is considered important to bolster international confidence after this week's decision in Manila by Pacific rim cnuntries to mnnitor financial markets more closely. The leaders may flesb out details for regional co-operation, including financial support that might be made available by multilateral lending institutions.

But tbe options for further cnncrete measures appear limited. Some Asian governments want Apec leaders to bless a financial stabilisation fund for the region. But their hopes have been dimmed by the decision in Manila not tn devote resources to such a project, and by the refusal of the US Congress this month to approve $3.5bn of extra money for the International Monetary Fund.

That may mean that the main prospect for concrete measures in Vancouver to redress Asia's problems lies in US-backed efforts to persuade countries in the region to sign up to a planned World Trade Organisation agreement to npen their financial markets to international competition.

Washington has explicitly linked the Asian market turmoil to the WTO talks, saying decisive liberalisation steps are essential to restore battered investor confidence in the region's economies.

However, the US faces two difficult challenges in pressing its Apec partners to negotiate more bnldly in the WTO. The first problem is that Mr Clinton's administration is still reeling from the political bumiliation of failing to win fast-track trade negotiating authority from Congress last week.

Although the loss of fast-track does not affect the WTO financial services talks, it risks weakening the president's international authority. He and his officials will be seeking in Vancouver to limit the damage, by assuring other Apec leaders that the reverse has not undermined US leadership or blown its policies off course.

Charlene Barshefsky, US trade representative, insisted this week that Washington intended to push ahead with its international trade agenda, and cautioned other governments not to view the fast-track setback as a sign that the US was turning inwards.

The second challenge for the US is to apply sufficient pressure to get often reluctant Asian governments to liberalise, without making such tough demands that it jeopardises chances of reaching a WTO agreement by the December 12 deadline.

Washington has said it will nnly accept an agreement which requires advanced develnping countries to open their markets substantially. Hnwever, financial markets could be further unsettled if the US balked at a deal, causing the WTO talks to collapse.

The US will also need to strike a delicate balance in bilateral discussinns on trade with Japan, China and other Asian exporters on trade. The administration acknowledges that these countries' best hope of a rapid recovery lies in export-led growth.

Washington is also under strong domestic pressure to prevent a sharp further increase in its trade deficit with leading Asian economies. However, it is anxious to avnid taking aggressive actions – such as the threat of unilateral trade sanctions – which could exacerbate financial and ecnnnmic instability in the region.

The Apec leaders, whn meet on Monday and Tuesday, are also expected tn endorse several initiatives to speed up the opening of markets in the region.

They will consider proposals to push ahead with liberalisation of specific categories nf trade, including infnrmation technology products, medical and environmantal equipmant and toys, and to discuss a plan to promote the development of global electronic commerce.

The US is keen also to initiate a work programme on obstacles to trade in biotechnology products – partly in the hope of putting pressure nn the European Union to relax its restrictions on US exports of genetically modified foods.

Tbese proposals are intended to restore momentum to Apec's ambitious programme to free all trade and investment in the Pacific rim region by 2010 in industrialised economies and 2020 in developing ones.

The grouping is facing mounting criticism for moving too slowly to meet these goals. A report by leading Pacific rim businessmen said faw countries had committed themselves to liberalisation which went beyond their WTO obligations, and had not even agreed what they meant by free trade.

A recent paper by the Brookings Institution, a Wasbington-based think tank, said Apec'a approach to liberalisation was not working and needed to be radically re-thought. "Apec is in grave danger of sinking into irrelevance as a serious forum," it said.

Guy de Jonquières and Gerard Baker

Struggle to agree pact banning bribery

By Andrew Jack in Paris

International talka on reducing corporate corruption cnntinned yesterday after representatives of the world's leading industrial nations failed to agree on the measures to be taken.

Payments to foreign political parties so as to win contracts remained at the centre of discussion by delegations meeting at the Organisation for Economic Co-operation and Development in Paris.

A press conference due to be beld yesterday evening was cancelled, but those close to the talks expressed confidence during the evening that a positive outcome would be announced today.

Several countries, led by the US, are pushing for an agreement this week to pave the way for signing a convention in mid-Decamber. This would come into effect at the end of next year.

They hope for a treaty which would make bribery by businesses of foreign public officials a criminal offence. Drafts prepared by OECD negotiators have attempted to define public officials broadly, to cover employees of public and private organisations which benefit from governmant monopolies or licences to provide goods and services.

The US has been exerting substantial diplomatic pressure to clamp down on corruption, notably in developing countries. It argues that US corporations have been banned from donations to foreign political parties for 20 years and would be subject to unfair discrimination if the same rules did not apply elsewhere.

Germany and Austria are against proposals to outlaw bribery of foreign politicians, since in both countries bribery of national legislators is not a criminal offence. Many other OECD countries are reluctant to ban contributions to political parties.

In some countrias – including France and Germany – bribery payments by companies to win foreign contracts have been tax-deductible.

France bas also been plagued by a history of substantial illegal payments by companies to all the leading domestic political parties, which led to an outright ban of corporata donations in 1993 and a reform of party funding rules.

Other disagreements are believed to have arisen over whether there should be a limit to the financial sanctions which could ba imposed on companies found guilty of bribery.

The US has argued that the treaty should come into effect as soon as two countries have signed, while the European Union argues that it should apply only once countries accounting for three-quarters of world trade have agreed to the terms.

NEWS DIGEST

Animal products move irks US

Dan Glickman, US agriculture secretary, yesterday called the European Union's decision to delay implementation of an agreement on trade in animal products an "unjustified and inconsistent" move. He said it did not tally with a US understanding reached with the EU in May.

After months of negotiation, the US and EU agreed to recognise each other's meat inspection and processing systems. The EU agriculture ministers this week postponed a vote on the agreement after the US department of agriculture proposed restricting pork imports from some parts of Europe because of hog cholera.

The EU said this move by the US was "totally unacceptable" while Washington said adequate data had not been forthcoming from the EU concerning hog cholera. *International Staff*

■ ISRAELI ELECTRONICS SECTOR

Tadiran in $120m Swiss deal

Tadiran Electronic Systems, a subsidiary of Tadiran, the Israeli alectronics company, has won a $120m contract to supply the Swiss army with military workstations providing sophisticated infnrmation technology. The contract, approved by the Swiss parliament and the defence ministry, is part of Tadiran's strategy of developing and delivering Command and Control systems to armies outside Israel.

Under the accord, Tadiran will supply Swiss artillery with a fully integrated battlefield information system linking combat units and divisional level commanders up through the chain of command. Tadiran, a division of Koor Industries, Israel'a largest bnlding company, has been anxious to tap the export market in a bid to compensate fnr a fall in contracts with Bezeq, Israel's state-controlled telecommunications company. During the first six months of this year, Tadiran raised exports by 72 per cent, from Shk272m ($77m) nver the same period last year to Shk467m this year. *Judy Dempsey, Jerusalem*

■ US FOREIGN INVESTMENT

Guatemala accord near

Guatemala and the US Overseas Private Investment Corporation are finalising a bilateral agreement to encourage more investment by American businesses. George Muñoz, president of Opic, a government-owned agency which provides guarantees and investment insurance for US businesses in emerging markets, said be saw Guatemala becoming a strong market for American investment.

Mr Muñoz praised economic policies such as the privatisation programme which has begun under the government of President Alvaro Arzu. However, he warned that problems such as drug trafficking and money laundering needed to be addressed. *James Wilson*

■ GEC Alsthom, Anglo-French power engineering and transport group, has won a $64m order to develop the power distribution system in north-west Mexico. The project, secured through the company'a German AEG T&D subsidiary, covers the states of Jalisco, Michoacan, Colima and Aguascalientes. The group will supply and install 16 air insulated sub-stations. *David Owen, Paris*

NEWS: INTERNATIONAL

Telecoms competitors settle row

By Frances Williams in Geneva

A transatlantic squabble over claims by rival broadband satellite systems to scarce radio frequencies was settled last night at crucial telecommunications negotiations in Geneva, enabling all three projected multi-billion dollar systems to go ahead as planned at the start of the next century.

Teledesic, the $9bn "Internet in the Sky" project conceived by telecoms pioneer Craig McCaw and backed by Bill Gates, Microsoft chairman, and the Boeing aircraft company, has obtained the extra spectrum it wanted, which it will share with Motorola's Celestri.

Meanwhile, SkyBridge, backed by Alcatel of France, has won the right to share another, lower frequency band with existing broadcasting and telecommunications satellites after the US withdrew its objections.

Each side had accused the other of blocking spectrum allocations to stifle competition in the market for satellite-based internet and multimedia services.

These high-speed data transmission services require large amounts of scarce radio frequency spectrum, which is allocated by the biennial World Radiocommunication Conference of the International Telecommunication Union, a United Nations body.

Two years ago Teledesic, the first in the field, lobbied successfully to operate in the Ka (27-40 GHz) frequency band in a move that gave it a global monopoly to operate sstellite-based broadband services. At this year's conference the Europeans were determined to break Teledesic's stranglehold.

Last week Washington accused Europe of trying to undermine Teledesic by blocking approval of the extra 100 MHz of frequency the US company said it needed to operate effectively in the Ka band.

However, yesterday the Europeans formally endorsed the allocation in return for US agreement to SkyBridge's use of the Ku (12-18 GHz) frequency band and the introduction of power limits in both the Ka and Ku bands to reduce the risk of interference with geostationary satellite systems. Washington had previously resisted power curbs in the Ka band, which could have reduced Teledesic's operating freedom.

The three operators are between them planning to launch hundreds of satellites in 2001 and 2002, with services coming on-line within a year of launch.

Teledesic's system will be the biggest, with 288 satellites. SkyBridge is putting 64 satellites into orbit at a total cost of $3.5bn while Celestri will have 67 satellites costing nearly $13bn.

Iraqi dictator's latest bout with the UN has put sanctions issue back on the agenda

A win on points for Saddam Hussein

"It appears" seemed to be the mandatory preface to statements yesterday by the UN powers that the crisis over US weapons inspectors in Iraq is – apparently – over.

After Russian diplomatic intervention, Baghdad announced yesterday it was allowing back the UN Special Commission (Unscom) team, complete with its American members, which since the end of the 1991 Gulf war has had the job of locating and dismantling Iraq's weapons of mass destruction.

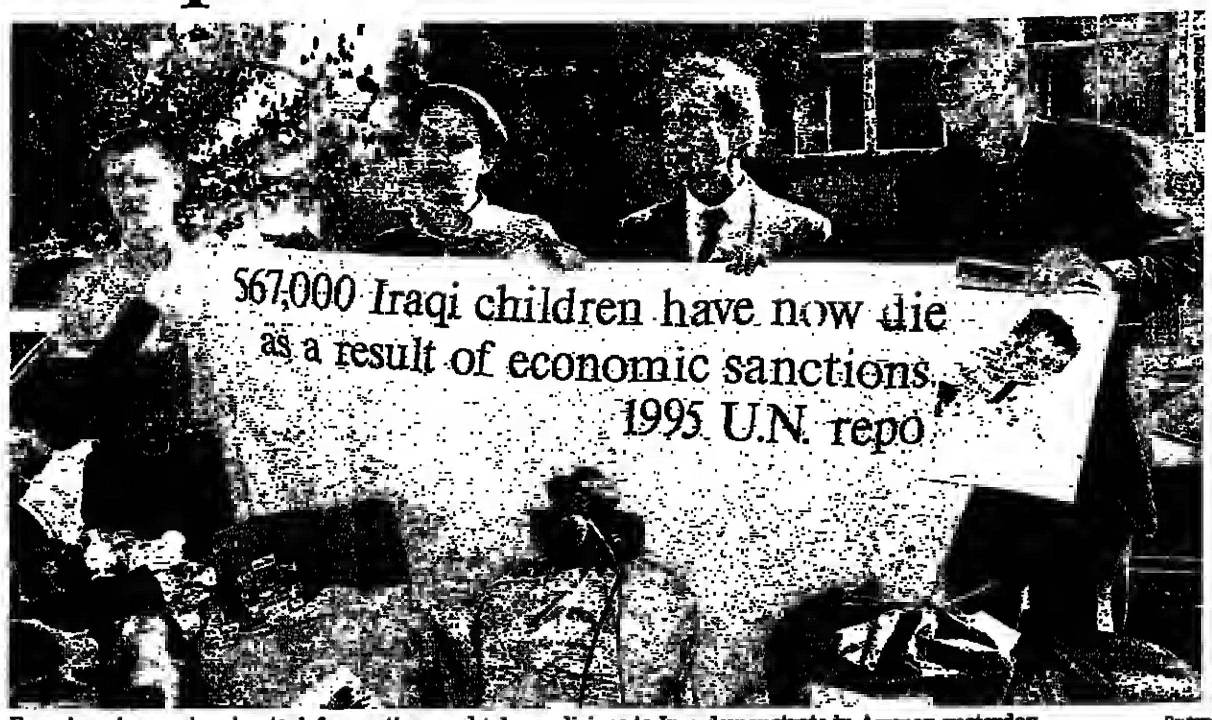
Unscom had withdrawn all but a skelaton team from Iraq last week after Saddam Hussein, the Iraqi leadar, carried out his threat to expel its US members.

The crisis will not be over, however, until Unscom resumes its search and destroy mission without Iraqi obstruction, and the US stands down its military build-up in the Gulf.

Meanwhile, the deal agreed by the permanent members of the UN Security Council in Geneva early yesterday morning appears to allow everyone to claim victory, and also to claim, as the US and UK did, that there was no deal.

Madeleine Albright, US secretary of state, emerged from the overnight meeting to say that "it appears that Saddam Hussein has reversed course," while emphasising that "the United States has agreed to no conditions".

Robin Cook, foreign secretary of the UK, America's unconditional ally over Iraq, said "there are no concessions; there is no deal" to get tha inspectors back in.



Four Americans who plan to defy sanctions and take medicines to Iraq demonstrate in Amman yesterday Reuters

In the literal sense, this appears true. France and Russia, the most reluctant of the UN powers to use force against Iraq and the most active in working for a diplomatic outcome, emphasised that Baghdad had backed down because the Security Council had forged a united front. This unity had to be rebuilt after the damaging split oo October 23, when France, Russia and China opposed a US and UK proposal for a small increase in sanctions to punish Baghdad's concealment of its weapons development. It was that split which tempted the Iraqi dictator into his latest challenge to the sanctions regime. But some of the main reasons for last month's first failure by the UN powers to agree on Iraq were still clearly on view yesterday.

Yevgeny Primakov, Russia's foreign minister, and Hubert Vedrine, the French foreign minister, both emphasised that it must now be made clear to Iraq that if it complies with the UN's prescriptions on disarmament, sanctions banning most of its oil sales would be lifted. "We must not give the impresston, as the United States has over the past few years, that there will never be an end to the tunnel or a lifting of the [oil] embargo even if the Iraqis fulfil all their obligations," Mr Vedrine said.

Mr Primakov, jubilant as the architect of the still opaque deal, hailed it as a first step towards the lifting of sanctions as Iraq's reward for compliance.

Even Mrs Albright, who in March had said the embargo should stay until Mr Saddam goes, acknowledged that a debate "of some kind" on how and when to lift sanctions was now likely.

To the extent that the Iraqi leader's intention was to get the issue of sanctions-lifting back on the UN agenda, he appears to be emerging from the three week stand-off ahead on points. It is also now likely that the UN will look at increasing the oil-for-food facility – under which Iraq can sell oil worth $2bn each six months to import food and madicina – once Unscom is operational.

But Washington too has managed to keep the threat of Iraq's chemical and biological weapons in the forefront of tha picture. Its main challenge now will be to ensure that its allies, keen to secure oil contracts in a post-sanctions Iraq, will not be satisfied with the appearance of Baghdad's compliance on disarmament as sufficient to lift the embargo.

David Gardner

Primakov notches up another win

The deal with Iraq is another victory for Yevgeny Primakov's crusade to keep post-Soviet Russia a great power, Reuters reports from Moscow.

The Russian foreign minister has won respect at bome and abroad for his fierce defence of Russian interests in a dispute with the west over Nato enlargement and for rebuilding Moscow's diplomatic profile.

But closest to his heart may be the Middla East, where he spent several years as a Pravda correspondent in the late 1960s, first meeting President Saddam Hussein of Iraq in 1969.

"The time will come when Russia will bave a strong enough economy to reclaim the international position it deserves," he has said. "Until then, we should hold the front quietly and build up a solid foreign policy."

As foreign minister, Mr Primakov bas proudly identified himself as a conservative. "He is slow to ruin things or allow others to ruin things," says a former colleague. "That's a rare merit nowadays."

Mr Primakov has developed a solid working relationship with western counterparts, notably Madeleine Albrigbt, US secretary of state, and is credited for giving Russian diplomacy a clear direction.

Currency crisis hits stocks in Zimbabwe

By Tony Hawkins in Harare

Concern about land acquisition and a shaky currency hit the Zimbabwe stock exchange yesterday as individual investors, and especially farmers, turned sellers. The industrial share index plummeted 668 points (7.3 per cent), its largest one-day fall in at least 25 years, to an 11-month low of 8,458.

The index has fallen 16 per cent since the currency crisis broke last Friday and 30 per cent from its peak of more than 12,000 in August.

Yesterday's fall knocked Z$4.4bn ($300m) off share prices, taking total losses in four day's trading this week to more than Z$10bn – or nearly $700m.

Dealers said agricultural stocks bore the brunt of the shakeout, driven more by worries over the government's plan to acquire 1,772 white-owned commercial farms than the currency crisis or the government's awaited fiscal measures to finance the Z$4bn ($275m) compensation package for war veterans.

Many farmers have now been told their land has been designated for compulsory acquisition, but there is still no official statement from the government or the Commercial Farmers Union.

The stock market has been influenced by reports that some of the most productive farms will be affected. According to one report, farmers who grow 40 per cent of Zimbabwe's winter wheat have had their farms designated.

Althongh farming accounts for only 16 per cent of gross domestic product, it has far-reaching secondary links with other sectors of the economy, especially manufacturing, and accounts for 40 per cent of exports. Further, many of the farms to be acquired have heavy bank loans outstanding which could hit the financial system.

Surprisingly, foreign holders, with investments of more than $100m on the ZSE have stayed out of the market, though this may be because they are anticipating a firmer Zimbabwe dollar next week which might ba a more opportune moment for selling.

Domestic investor confidence is at a very low ebb in a nervous market racked with speculation about the farms targeted for acquisition. Uncertainty is heightened by the government's failure, or inability, to disclose how it intends paying for the farms it acquires.

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NEWS DIGEST

Egypt ousts top officials

The Egyptian government yesterday announced a big overbaul of its security apparatus in the first stage of a strategy aimed at improving the safety of tourists following Monday's massacre of 57 foreigners by armed militants.

Twenty-three senior interior ministry officials, all but one holding the rank of general, have been moved aside or demoted by Major General Habib al-Adly, the newly appointed interior minister, whose predecessor resigned after the attack.

The changes of personnel are to be followed by the introduction of a new security plan intended to improve safety at popular tourist sights. Details of the plan are expected to be finalised today.

The government's measures were yesterday rebuked by the Gama'a al-Islamiyya, the militant group which claimed responsibility for the attack.

In a statement, the group said: "A movement which leads a people cannot be defeated. The policy of firing and replacing ministers cannot solve the problem of the Egyptian regime."

The group offered a possible halt in its violent campaign if its imprisoned supporters were released, its leader freed from prison in the US and Islamic law introduced in Egypt. *Mark Huband, Cairo*

■ LABOUR STANDARDS

Mattel sets factory code

Mattel Ince, the US toy manufacturer said yesterday it was creating a global code of conduct to improve conditions in its factories and those of its contract manufacturers.

"We are concerned with the safety and fair treatment of the men and women who manufacture our products as we are with the safety and quality of the products themselves," said Jill Barad, the company's chairman and chief executive officer.

Mattel said it had carried out an employment audit and had ensured there was no child or forced labour in its facilities.

The company said no one under 16 should be employed. Relations with three contractors – one in Indonesia and two in China – had been terminated because they refused to meet company safety procedures.

Robert Taylor, London

■ RWANDA

300 die in jailbreak bid

More than 300 people were killed when ebout 1,200 Hutu rebels attacked a jail in north-west Rwanda in a bid to free hundreds of prisoners awaiting trial on genocide charges, Rwandan officials said yesterday.

They said the jail attack was launched and repulsed on Monday night, but that clashes between the rebels and the Tutsi-dominated army continued in the area until Wednesday. Most of those in jail were awaiting trial on charges they participated in tha 1994 Rwandan genocide in which up to 800,000 Tutsis and moderate Hutus were killed. *Reuters, Kigali*

■ TAJIKISTAN

French aid couple abducted

Tajikistan said yesterday it was doing all it could to free two French nationals abducted in the capital, Dushanbe, but admitted in had no clue about the kidnappers' plans or whereabouts.

The Red Cross, worried by a series of abductions, said it had decided to reduce its staff in the ex-Soviet republic.

In February this year the Red Cross took the sama measures after a maverick armed band kidnapped several foreign UN personnel and Russian journalists. The Red Cross resumed its activities in April when the crisis was over.

In the latest wave of violence against foreigners, a French married couple was kidnapped in the centre of Dushanbe late on Tuesday.

The man worked for the European Union's TACIS aid programme in the Central Asian republic while the woman worked for the United Nations refugee agency (UNHCR). *Reuters, Dushanbe*

NEWS: THE AMERICAS

Brazil reduces lending rate

By Geoff Dyer in Brasilia

The Brazilian Central Bank has reduced its basic interest rate following the government's victory in a crucial vote in Congress to reform the civil service.

In the first sign that the authorities think the worst of the crisis has passed, the central bank lowered the prime lending rate from 3.05 per cent a month to 2.9 per cent from December.

Interest rates were doubled on October 30 to prevent a speculative attack on the Brazilian currency, following the recent turmoil in world financial markets.

The surprise move by the central bank came minutes after the government comfortably won the civil service reform vote, seen es a key test of its ability to bring public finances under control.

However, votes on several opposition amendments to the bill were put off until next week. One seeks to reverse the main point of the bill, the end to lifetime job guarantees for civil servants.

The stock market reflected the mood of cautious optimism yesterday, rising modestly in spite of renewed fears that economic problems in Korea could spark off a new wave of the Asian crisis. By mid-afternoon, the São Panlo Bovespa index of leading companies was 1.3 per cent higher at 9,451.

Francisco Lopes, director for monetary policy at the central bank, said Brazil was starting to step away from the general pessimism about emerging markets. Although the international environment was volatile, the authorities had a more positive view.

The expected slowdown in the economy next year would reduce the current account deficit, possibly to around 3 per cent of gross domestic product, which would mean a lower external financing requirement.

Clinton backs medical 'bill of rights'

By Nicholas Timmins in Washington and Richard Waters in New York

US President Bill Clinton yesterday backed a consumer "bill of rights", providing limited guarantees of access to medical care, as he bid for a new role for the federal government in regulating the healthcare industry.

Accepting the recommendations of a 34-strong advisory commission, he ordered federal agencies to adopt the charter and tell him where legislation was needed fully to implement it. Ha then challenged Congress to provide the powers.

The "bill of rights" would bar so-called "gag" clauses which prevent doctors from telling patients about more expensive but effective treatments if they are not covered by the plan; set out rights to information and services, including guaranteed cover for attending accident and emergency if a "reasonable layperson" would believe urgent treatment was needed; limit rights to stay with the same doctors when switching health plans; provide some guarantees of direct access to specialist services; and give the right to an appeal system.

Families USA, a consumer advocacy group, whose chief executive Ron Pollock was a member of the commission, said the proposals in the charter were no more than "modest", but that they were still "an important first step" to restoring trust in healthcare.

That trust has been hit by "managed care" which increasingly dictates to doctors the types of procedure and treatment thay can provide. Some plans now refuse overnight hospital stays after childbirth, insist that mastectomies for breast cancer be done as day cases, and restrain high-technology treatments.

Managed healthcare companies hava been sharply divided over the commission's work and its potential impact on their costs. Some of the biggest companies in the industry have sat on the commission, including representatives from United Healthcare and Oxford Health Plans, assuring them a say in the outcome. However, others have voiced concerns about any action at a federal level.

Richard Huber, chief executive of Aetna, warned: "Every piece of regulation brings its costs".

The American Association of Health Plans, the trade association that represents managed care companies, has also sounded a caution, and said it will "work hard to ensure that we do not walk down a road that leads to micromanagement that stifles innovation and quality assurance".

Managed care companies have been largely behind the deceleration in US healthcare costs in the mid-1990s, in part by limiting access to care in ways that are now under attack.

The limited previous state regulation of healthcare plans has largely disappeared and Mr Clinton's move yesterday was an attempt to put federal regulation in its place. He sold the package as merely providing the kind of consumer protection rights which were "long overdue" and which Americans enjoy "when they purchase cars, use credit cards or buy toys for their children".

They were needed, however, to tackle the "staggering" sense of insecurity which has developed as medicine has switched to managed care and people have lost confidence "in the quality, accessibility or affordability" of healthcare, Mr Clinton said. This was a casa "where national interest must prevail over narrow interest."

Chips down in Detroit's casino gamble

Nikki Tait on why city is pondering the prospect of becoming the 'Atlantic City of the Midwest'

The chips are down in the latest effort by Detroit to revive its once-crumbling downtown.

In a matter of days, Dennis Archer, the city'e mayor, will decide who gets to build up to three casinos in the city centre – a move which could produce investment of almost $2bn and, in his words, turn Detroit into "the Atlantic City of the Midwest".

Already, victory for the big Las Vegas-based casino interests looks virtually assured. Two weeks ago, Mr Archer pruned a list of seven bidders to four – weeding ont New York'a Donald Trump, Detroit'e Don Barden (an African-American businessman who runs a riverboat casino in neighbouring Indiana), and a consortium which inclnded Coleman Young, Archer's predecessor.

Instead, three of the final contenders involve top casino groups: Mirage Resorts, Circus Circus and MGM Grand. All are promising big complexes, which would added hundreds of hotel rooms and new restaurants, with price-tags ranging from $500m to $800m.

Only one is a predominantly local effort, partnering a couple of businessmen from Detroit's Greektown community with the Chippewa Indians, who run casinos in Michigan's Upper Peninsula.

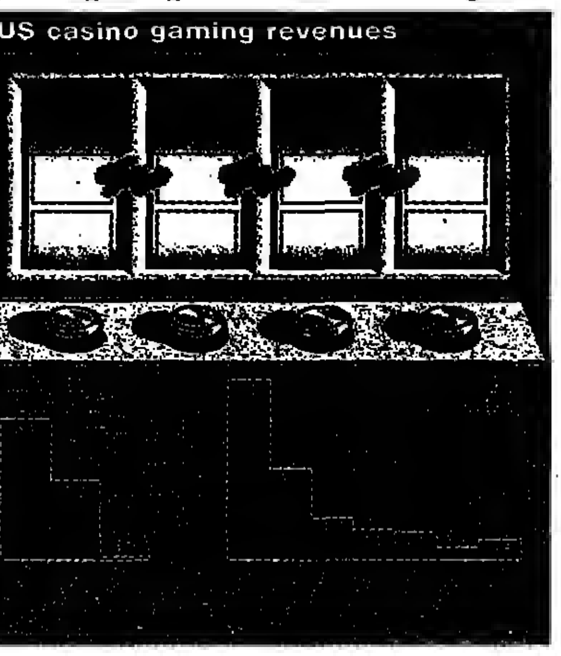
Perhaps the biggest remaining question is how this application, which is strongly backed by city authorities, will mesh into the final equation. Most observers think Mr Archer's two-week delay in announcing the casino winners was designed to allow the Greektown group to investigate partnership arrangements with one of the big players, whose pockets are deeper.

"There could be problems with the City Council otherwise," warns Pete Swan, analyst at Detroit's Olde Discount brokerage.

If so, this would only be the latest in a series of controversies to surround the ambitious redevelopment project.

Voters agreed to the casinos' construction in a referendum last year, but by a very narrow margin. On one side, it was argued that the casinos could turn Detroit into a big convention city, and that the tax take would help fund educational programmes. Motown would also recapture gaming dollars which currently flow to Windsor, Ontario, just across the Detroit River.

On the other side, anti-gaming advocates pointed to increased crime which appears to have followed in some casinos' wake, and the questionable economics if social expenditures mounted or financial problems ensured, as with the New Orleans' casino.



Even after the referendum, the furore did not end. There was intense pressure to ensure thet the African-American community – which accounts for about 80 per cent of Detroit's population – saw a slice of the action. Mr Archer's decision to rebuff Mr Barden, as well as the Young consortium, in favour of well financed Vegas companies brought cries of "Uncle Tom".

Native Americans, meanwhile, challenged the constitutionality of the new casino law, only to see their case dismissed last month. And once winners are selected, there is still the prospect of lawsuits from the losing consortia or a statewide anti-gaming referendum next autumn.

Nevertheless, from a purely commercial standpoint, Detroit's plan gets cautious backing from analysts. Mr Swan thinks the demographics "excellent", with around 4.5m living in the broader metro area, although he cautions about seasonality, given Detroit'e climate, and the "relatively high 24 per cent tax on gaming revenues".

Brian Egger at Donaldson, Lufkin & Jenrette agrees, pointing out that Windsor's track record with casinos has tended to instill confidence despite the fact that downtown gaming projects generally do not have a good record in the US. "It could be very lucrative," he said, pointing to estimates of annual gaming revenues in excess of $1bn.

A much bigger question is whether the Detroit project will mark the end of the aggressive geographic expansion of casinos in the US. Less than a decade ago, casinos were permitted in just two places – Nevada and New Jersey. Today, 26 states have legalised casino gaming.

Much of this permission, admittedly, has applied only on Native American land. But even if Indian-run casinos are excluded, there are still nine states where commercial casino operations are now allowed. The American Gaming Association (AGA) calculates that there are about 900 casinos operating as a result. Total casino revenues were put at almost $24bn last year, of which non-Indian facilities produced almost 80 per cent.

But the tide may have turned. While Detroit voters agreed to non-Indian gaming last year, nine other states, including Ohio, Colorado and Arkansas, saw gaming initiatives rebuffed.

And if electorates are deemed unenthusiastic, improving government budgets and tight labour markets could forestall politicians' desire to pursue such echemes. "Casino development is usually a function of a tough economy....with unemployment relatively low across the country, the demand from local governments for gaming venues is likely to be limited," said Mr Swan.

Even the AGA admitted that the industry's tentacles may not stretch much further in the foreseeable future.

"What you're seeing now is expansion and reinvestment in proven markets," it said. "Detroit is definitely an exception right now."

US travel to Egypt dips after attack

By Richard Tomkins in New York and Heather Bourbeau in Washington

Travel agents in the US yesterday reported signs some travellers were changing their plans after Monday's massacre of foreign tourists in Egypt and the "worldwide caution" issued this week by the State Department to US citizens travelling abroad.

Woodside Travel Trust, a network of travel agencies, said "a significant number" of travellers, particularly holiday makers, had cancelled plans to go to Egypt. "It's happening with business as well," said Ivan Michael Schaeffer, Woodside's president and chief executive.

He expected large numbers to cancel trips to Egypt and other Middle Eastern destinations, incinding cruises in the eastern Mediterranean. But many leisure travellers would switch destinations rather than cancel their holidays outright.

American Express Travel Related Services said it expected travel to be affected less than it was by the Gulf war.

The State Department advised US citizens travelling or living abroad to exercise "greater than usual caution. While at this time we know of no specific threats to US citizens or interests overseas," it said, "we cannot discount the possibility of random acts of anti-American violence".

The American Society of Travel Agents yesterday criticised the statement for "vagueness", saying it was not clear bow Americans were supposed to respond.

White House spokesman Michael McCurry said the White House was aware the statement could hurt the travel industry. "But we are more concerned we give accurate information to the American public about the need to be careful as they travel around the world."

Hashimoto backs aid plan for banks

By Paul Abrahams in Tokyo

Ryutaro Hashimoto, Japan's prime minister, yesterday said he supported proposals to use taxpayers' money to bolster the country's embattled banking system. His statement, which contradicted earlier insistence that public funds would not be used, followed pressure from the US to stabilise the *financial sector.*

On his visit this week to Tokyo, Larry Summers, deputy US treasury secretary, said: "We believe that international experience demonstrates the importance of prompt action... and suggests it is often necessary to use public funds."

Banking and broking shares rose sharply on the news. The Nikkei 225 index rose nearly 3 per cent, up 446 points to 16,306, while the yen rose against the D-Mark and US dollar in Tokyo. However, fears of increased government spending sent bonds prices down sharply. The yield on the key 182nd 10-year bond rose from 1.705 per cent to 1.725 per cent.

The suggestion that public money might be used helped the *shares of Yamaichi, Japan's fourth* biggest broker, to climb Y15 to Y80 after falling nearly 40 per cent on Wednesday. The company also said it had asked Fuji Bank, its biggest shareholder, for financial assistance.

Opposition to an aid scheme from the Bank of Japan and ministry of finance appears to be weakening. Both remain deeply reluctant to take the lead in any initiative, and publicly are expressing caution. But this is partly because of strong public criticism of the role of bureaucrats in promoting the bail-out of housing loan companies last year.

Any aid for Japan's banks will be politically contentious. Already, three opposition parties have decided to table a no-confidence vote against Hiroshi Mitsuzuka, the finance minister.

Banks have been suffering from high levels of bad debts, partly caused by the weakness of the domestic economy.

Its fragility was underlined by October's trade surplus announced yesterday, which was bigger than expected, up 139 per cent. Exports increased year-on-year by 17 per cent but imports rose just 1.2 per cent. Month on month, imports actually fell 2.1 per cent.

The biggest increase in the surplus was with Europe, up 164 per cent. That compared with a rise of 55 per cent in the surplus with the US, and a 51 per cent rise in the surplus with Asia. Exports to Europe *surged 25.8 per cent, while* those to the US rose 17.7 per cent.

Exports to Thailand fell 19 per cent, reflecting the effects of the currency crisis there.

Tom Foley, the new US ambassador, warned yesterday: "There is a sense that some people in Japan feel that as long as the American economy is strong, the surplus won't be much of a problem. I do not think this is true.

"It doesn't require a downturn in the US economy to make this rapid growth in surpluses a matter of significance."

The Japanese Economic Planning *Agency yesterday admitted* for the first time that domestic demand was so weak that it would be difficult for growth in Japanese *gross domestic product* to reach the government's target of 1.9 per cent this fiscal year.

Stuttering demand fed through to domestic orders for steel, which fell 2.9 per cent in September from a year earlier. Demand from construction declined 1.7 per cent, while that from the automotive sector dropped 2 per cent.

Congress party threat to topple UF coalition

By Mark Nicholson in New Delhi

India's Congress party yesterday threatened to topple the United Front government unless the coalition ejected a member party alleged to be indirectly implicated in the assassination of Rajiv Gandhi, former Congress prime minister, six years ago.

The *UF has so far rejected* Congress demands, sharpened yesterday into an outright ultimatum, to remove the Dravida Munnetra Kazhagan (DMK), a party based in Tamil Nadu with 18 MPs and three ministers in the 15-party coalition.

The row *risks plunging* India into early elections as the minority UF would almost certainly fall without the continued support of 140 Congress party MPs in parliament.

The UF commands just 143 seats in the 544-seat house, relying on both Congress and Communist party support "from outside".

Congress's demand for the "immediate" expulsion of the DMK springs from fresh allegations of the party's links with the Sri Lankan Tamil Tiger guerrillas in the period before the assassination of Rajiv Gandhi.

The former prime minister was killed by a Tamil Tiger suicide bomber near Madras in 1991.

The allegations are contained in the report of an official inquiry into the killing which was formally tabled before a raucous parliament yesterday.

Mr Pranab Mukherjee, a Congress leader, declared: "The DMK must be removed from the UF government forthwith."

UF leaders said they would meet to discuss the ultimatum today before any public reply. One UF minister said a compromise offer was "possible but not probable".

Political analysts said that without either a UF compromise or some form of political realignment, of which there were few signs yesterday, India looked set for mid-term elections next January or February.

India's latest political crisis has been brewing for months, since it became apparent the Jain Commission's interim report into Mr Gandhi's assassination would implicate the DMK and other figures in the UF.

But while the 17-volume, 5,280-page report was submitted to the government in August, leaks in the press ignited the issue last week.

The report, compiled by Justice Milap Chand Jain, contains "interim" findings after a 66-month inquiry into possible "conspiracies" behind the killing of Mr Gandhi. While imputing blame for the circumstances surrounding the death, the report carries no formal legal charges and is merely the prelude to a final report.

The report has blamed the DMK for "tacit" support for the Tamil Tigers and criticised other UF politicians for laxity in safeguarding Mr Gandhi's security while they were in power at the time.

Japan aid for Seoul 'to come after IMF deal'

By John Burton in Seoul and Gillian Tett in Tokyo

Japan yesterday indicated that it would not offer financial support to South Korea until Seoul had reached an agreement with the International Monetary Fund on a rescue package for its troubled banking sector.

The decision by Tokyo would deal a blow to Seoul's efforts to arrange an alternative financial package with Japan and the US and avoid making a request to the IMF, which could impose tough conditions on reforming Korea's *dirigiste* economy.

A refusal by Japan as well as the US to provide direct financial support would make an approach to the IMF almost inevitable. Lim Chang-yeul, the new Korean finance minister, yesterday said if efforts to solve the country's credit crisis through co-operation with its economic allies failed, "then we would turn to the IMF for a bail-out fund".

The Korean national news agency Yonhap last night quoted unnamed government officials as saying that they had given up efforts to gain Japanese financial support because Tokyo had tried to attach "complicated" conditions to a proposal that Seoul would swap its state bonds for US treasury bonds held by Japan.

The Japanese stance on financial support for Korea is similar to one it has adopted for Indonesia and Thailand, which have already sought IMF assistance. Japanese officials said that once Korea applied to the IMF, Tokyo would offer aid. "It would be in our interests to help," said one official.

Larry Summers, the deputy US treasury secretary, this week said financial support to countries with troubled economies should be provided via the IMF. But Mr Lim yesterday met other US treasury officials in Seoul in a last-ditch bid for US financial support.

Mr Lim, a former IMF official, said he preferred relying on bilateral financial support from the US and Japan because any rescue of Korea, which has been conservatively estimated to cost $40bn-$60bn, would greatly deplete the IMF's reserves. "I wish the IMF to save its resources to help other developing countries," he said, but added Korea was "not reluctant to co-operate with the IMF".

His remarks, however, were mixed with warnings that if the US and Japan refused to co-operate with Korea, they could trigger a global economic crisis.

"If Korea, the world's 11th largest economy, is dragged into a predicament similar to that of south-east Asia, it is likely to set off even more serious repercussions on not only its major trading partners, but on the entire world economy."

He blamed Korea's financial woes partly on psychological factors such as "the insecurity of foreign investors" who have been frightened by corporate bankruptcies and a resulting "loss of credibility" of Korean banks in international markets.

Korean banks under pressure

Punitive premiums are being charged for access to dollar funds

South Korean banks are having to pay increasingly punitive rates to borrow offshore dollar funds and are in some cases losing access to funding altogether as concern intensifies over the health of the country's banking system.

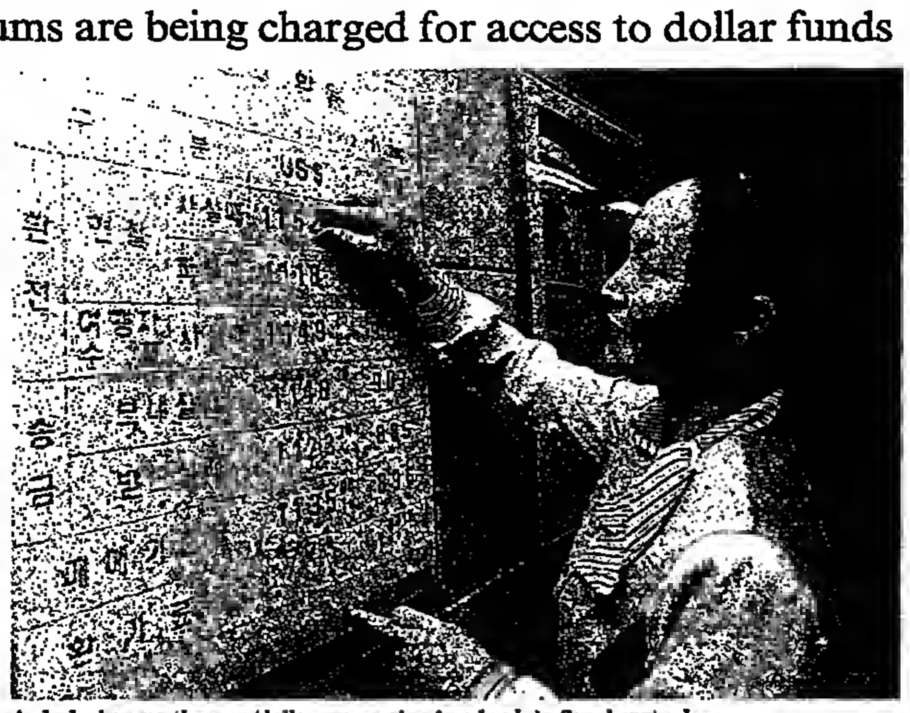
International bankers say Korea's six big commercial banks are in some cases paying around double the spread they were charged at the start of the year to access short-term dollar borrowings.

The Korean premium – or the difference between what Korean banks and non-Korean banks pay to raise funds in the interbank market – has risen from a spread of around 40 basis points to about 70 basis points over the London Interbank Offer Rate in the last three weeks. Libor is the rate at which banks borrow from each other.

This has raised genuine fears about international and – in particular – Japanese exposure to their Korean counterparts. "We are not talking about a global banking crisis but there is a real worry about an Asian banking crisis," said an analyst at a credit rating agency in London.

Analysts estimate that Japanese banks account for about 35 per cent of short-term lending to Korean banks, which is estimated to total over $40bn.

Total short-term Korean debt (including corporate borrowing) has risen from 118 per cent of Korea's foreign exchange reserves to almost 250 per cent since the start of the year according to the latest estimates. This compares with a ratio of 150 per cent for Thailand and 130 per cent for Indonesia.



A clerk changes the won/dollar conversion in a bank in Seoul yesterday Reuters

"We have passed the threshold where alarm bells start ringing," said one US banker in London. "The question is what impact this will have on other banks."

Although bankers yesterday refused to disclose the extent of their short-term lending to Korean banks, most privately confirmed that Japanese banks were the most heavily exposed.

The situation has been exacerbated by Japanese banks, which are themselves facing mounting liquidity problems in the offshore interbank market with the Japanese premium having risen from around five basis points to over 30 basis points in the last three weeks.

"The last thing Japanese banks want to do is spark off a Korean banking crisis," said one *Japanese banker* in London yesterday. "This would affect us worse than anyone else just when we could least afford it."

Informally, however, Japanese officials confirm that some Japanese banks have refused to roll over short-term credit lines to their Korean counterparts over fears about their deteriorating creditworthiness. The Korean currency, the won, has depreciated by over *20 per cent since the start of* the year – pushing up banks' won-denominated exposure to dollar borrowing by over 20 per cent.

In addition, many south-east Asian companies are heavily exposed to Korean banks, which have lent an estimated $16bn to $20bn in short-term notes to Indonesia alone. This has raised fears that Korean banks will *themselves refuse to roll* over short-term credit-lines in south-east Asia as Korean banks in turn face a liquidity crunch on their borrowings.

"There is going to have to be some quite decisive action to ensure this does not become a systemic problem," said an official at a European central bank yesterday.

Lastly, concern is growing about the solvency of Korea's merchant banks, many of which are heavily exposed to portfolio investments in Latin America and eastern Europe.

The collapse of Russian and Brazilian bond prices in the last month has forced many Korean merchant banks to sell securities at a loss to meet margin calls on their offshore dollar borrowings.

Edward Luce

Vietnam protests over China drilling venture

By Jeremy Grant in Hanoi

Vietnam has protested to China after it awarded a contract to Atlantic Richfield Corp (Arco) of the US to explore jointly for gas in energy-rich waters partly claimed by Hanoi.

The move, which has raised fears of renewed tension over territorial claims in the region, underscores how far China, growing short of energy at home, is *willing* to *go* in its *quest for* fuel in the area, much of which it claims on historical grounds.

It comes eight months after China sparked a diplomatic incident by moving an oil exploration ship into waters off the Vietnamese coast, embroiling the Association of South-East Asian Nations (Asean) in a test of wills with Beijing.

The contract, signed a month ago, allows Arco and China National Offshore Oil Corp (CNOOC) to develop the Ledong natural gas fields, about 100km south-west of Hainan Island.

The three fields cover an area of 925 sq km next to the gas-rich Yacheng field, which Arco already operates and which is one of southern China's biggest sources of gas. Arco and CNOOC hope to pipe gas found in the Ledong fields through an existing pipe from Yacheng to Hong Kong and energy-hungry southern China.

Declan Ryan, an analyst at Edinburgh-based Wood Mackenzie, said it was consistent with earlier drilling by China: "It's most definitely a prospective area and they are looking for foreign technology to carry on their search."

However, Tran Cong Truc, chairman of Vietnam's government committee on border issues, said the contract's area "is in the disputed area between the two countries". Part of it also extended into an area designated by Hanoi as its "exclusive economic zone" by about two nautical miles.

A Vietnamese foreign ministry source said Hanoi had delivered the protest through its embassy in the Chinese capital on Wednesday. The Chinese embassy in Hanoi declined to comment.

China's move in March was widely seen as aimed at gauging Hanoi's response and that of its fellow Asean members in preparation for possible moves later, further south in the potentially oil-rich Spratly archipeligo.

These islands are widely seen as a regional flashpoint as they straddle major shipping lanes and are claimed by China, Vietnam and most Asean members.

Vietnam yesterday made a rare public attack on China. In an article headlined: "The Spratly Islands Question Surfaces Again", the *official* Vietnam News accusing Beijing of rewriting history by saying that decades-old international accords backed up Chinese claims to the disputed islands.

NEWS DIGEST

Thai PM sets recovery target

Chuan Leekpai, the new Thai prime minister, is aiming to turn the economy around within six months to a year, according to his first official policy statement released yesterday.

He warned parliament that national security could be in danger if the economic pressures on ordinary people could not be lifted soon.

The government has pledged to stick to the terms of a $17.2bn IMF bail-out package, but has dropped strong hints some conditions might be eased later.

The previous premier, Chavalit Yongchaiyudh, stepped down last month after mounting criticism of his handling of the economy. *William Barnes, Bangkok*

■ SOUTH KOREA

'Spy ring' uncovered

South Korea's intelligence agency yesterday claimed to have uncovered a communist North Korean spy ring that included a prominent sociology professor at Seoul's top university who once served as an adviser to the nation's former military rulers.

Western diplomats expressed suspicions about the timing of the spy ring's disclosure, just a month before a presidential election. The discovery of another spy ring just before the last presidential election in 1992 was regarded as an attempt to fan anti-communist support against Kim Dae-jung, the centre-left opposition leader who is the front-runner in the current campaign.

The latest spy ring included a husband and wife team that slipped into South Korea in August after being transported by a North Korean submarine. The wife committed suicide by swallowing a cyanide capsule after being captured.

Their assignment in South Korea included contacting resident spies, including a former professor at Seoul National University.

The intelligence agency also arrested an official at the Seoul Metropolitan Subway, who had allegedly been ordered to devise plans to paralyse the underground system. *John Burton, Seoul*

■ SINGAPORE ECONOMY

Export increase applauded

A higher-than-expected 9.5 per cent increase in Singapore's non-oil domestic exports in October, in spite of regional economic troubles, received a cautious welcome from economists yesterday.

The October rise was lower than September's 15.8 per cent increase, but was the fifth consecutive month of positive growth.

It added to optimism that the electronics recovery was on track and would strengthen up to the year-end, economists said.

Economists were especially heartened by the double-digit growth in key products such as integrated *circuits.*

"I think it's a very good number. We did actually see disc drive volumes, exports, falling by 2 per cent... It's just that other segments have been doing much better and offset some of the falls," said Amanda Choy, economist with SocGen Crosby. *Reuters, Singapore*

Pakistan president drawn into Sharif court row

By Farhan Bokhari in Islamabad

Pakistan's president was yesterday brought into the a growing dispute between the prime minister and the judiciary.

The supreme court asked President Farooq Leghari to refuse formal consent to a bill passed by parliament this week that would allow the prime minister, Nawaz Sharif, the right to appeal if he is convicted of contempt of court.

On Wednesday the supreme court charged the prime minister with contempt after Mr Sharif criticised the supreme court's move to suspend a tightening of parliamentary discipline.

Mr Leghari is obliged to sign the bill within 30 days of its passage in parliament, or return it for reconsideration. Mr Sharif, however, has suggested that only prompt consent by Mr Leghari would be proof of his neutrality.

The court's move was followed by talk that Mr Sharif's ruling Pakistan Moslem League (PML) was thinking of impeaching Mr Leghari for bias towards the judiciary. The PML will also propose fresh legislation to tighten the parliament's hold over the judiciary, requiring judges to appear before the parliament's "privilage committee", which rules on accountability.

Suggestions of impeaching the president have been triggered by a growing view among PML parliamentarians in favour of a more compliant president who would not block legislation.

In a sign of worsening relations between Mr Sharif and Mr Leghari, the president's office said a decision would be made in "the highest national interest and not that of an individual".

If Mr Sharif is convicted he could be disqualified from parliament, forcing him from office.

Many of Mr Sharif's critics have advised him to retreat, offering unconditional apology to the court. However, he says that he is obliged to keep the public informed of his views about other institutions.

NEWS: UK

Underwriting fees to be investigated

By Clay Harris, Jane Martinson and Andrew Taylor

The City of London's traditional system of raising equity capital for companies could face a revolution after the Office of Fair Trading yesterday launched a Monopolies and Mergers Commission investigation into underwriting fees.

His patience exhausted after two and a half years of warnings, John Bridgeman, director general of fair trading, said: "The industry has had long enough to behave more competitively and the time has now come for a full MMC inquiry."

He accepted that some innovations had been introduced since an OFT report in March 1995, but stressed that these had "not gone far enough".

He added: "I remain concerned that competition is not working effectively in this market." Standard fees were charged for underwriting in at least 50 per cent of 60 rights issues since October 1996.

At stake are fees charged by financial institutions and investment banks for underwriting share issues. These typically have been fixed at 2 per cent, split the same way among lead underwriter, broker and sub-underwriters.

Many companies – and Mr Bridgeman – regard this as unnecessarily expensive for the risk being undertaken. But institutional investors, who benefit in their role as sub-underwriters, usually collecting a 1.25 per cent fee, argued that the system was evolving without the need for an investigation that will last a year. They were also sceptical that other methods would result in lower net costs.

Richard Regan, head of investment affairs at the Association of British Insurers, said: "We have spent the past year creating an environment in which there has never been greater flexibility. It is disappointing, therefore, that a need is seen for the MMC referral."

The commission will have wide discretion to decide the scope of the investigation. Although it is unlikely to prescribe what level of fees is commercially appropriate, it could recommend changes such as forbidding a company's financial adviser from also acting as its lead underwriter.

The UK's system of pre-emption rights – which guarantees existing shareholders the first call on any additional equity issued – could also come under scrutiny.

Pre-emption rights could, however, be retained even if another system of organising issues, such as putting the share price or fees out to tender, was introduced.

Mercury Asset Management, the UK's leading pension fund manager, said: "We have the cheapest fund-raising in the world. We welcome competition in sub-underwriting and it's already started. But pre-emption rights must stay."

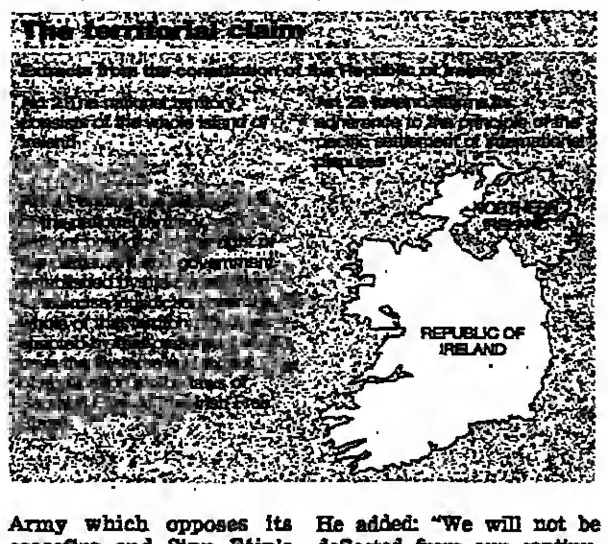
Peter Murray, chairman of the National Association of Pension Funds, said Mr Bridgeman had "rushed in a little bit. A number of recent initiatives have already succeeded in securing greater market flexibility. Had he waited a little longer he would have seen that the problem is diminishing."

The association would "demonstrate that market arrangements in London make the UK the most competitive international centre for companies wishing to raise new finance," he said. "We would be very nervous about anything that would weaken that position."

Editorial Comment, Page 13

Prime minister Ahern says dialogue is advancing despite differences

Unionist chief hails 'realism' of Irish PM



By Liam Halligan, Political Correspondent

Bertie Ahern, prime minister of the Republic of Ireland, yesterday engaged in "ice-breaking" talks with the Ulster Unionists in a meeting which both sides dubbed as "friendly".

Mr Ahern said his 2¼ hour meeting with David Trimble, leader of the Ulster Unionist party, had given him a better understanding of the unionist position. "On-going dialogue, in a meaningful and constructive way, slow as it is, is moving ahead," he said later.

Mr Trimble's party is the biggest pro-British party in Northern Ireland. Mr Ahern will today discuss Northern Ireland with Tony Blair, UK prime minister, in Luxembourg.

An upbeat Mr Trimble, who had earlier indicated he would press for the government of the republic to abandon its constitutional claim to Northern Ireland, said the meeting had been "somewhat encouraging", "realistic" and "practical".

He had been "encouraged by the degree of realism being shown" by Mr Ahern's delegation. "I think they appreciate that, from our point of view, there can be no question of creating something that is an embryonic all-Ireland government or body which operates exercising governmental powers on an all-Ireland basis," he said.

The Irish government has signalled possible changes to its constitutional claim, but has indicated any deal would have to involve the unionists softening their opposition to cross-border authorities.

Mr Ahern would not disclose details of his discussions with Mr Trimble, but referred to the Irish government's willingness to compromise by "balanced constitutional change".

The meeting was followed by claims of a republican murder attempt after a small bomb was found outside the offices of smaller unionist parties in the grounds of Belfast City Hall.

The device was discovered after a warning by the Continuity IRA, a splinter group from the Irish Republican Army which opposes its ceasefire and Sinn Féin's current peace strategy.

The offices targeted are used by the Ulster Democratic Party and the Progressive Unionists – the political wings respectively of the paramilitary Ulster Defence Association and Ulster Volunteer Force.

Mr Billy Hutchinson of the Progressive Unionists urged members not to be provoked. "We have no doubt this was a deliberate attack on our party and we have to question the motives of the people who were responsible," he said. "But it won't stop us continuing with our work."

Mr David Adams of the UDP said the bomb was an attempt to provoke retaliation by Protestants and destabilise the peace process.

He added: "We will not be deflected from our continuing attempts to bring about a peaceful, democratic settlement within Northern Ireland, despite the attentions of those within republicanism who are intent on forcing this society back into conflict."

Sinn Fein described talks between Mr Ahern and Mr Trimble as "encouraging". But the party said: "A lasting political settlement will require fundamental change in constitutional status of the six counties".

Mr Trimble also deplored references to the imminent transfer from Northern Ireland to England of 500 British soldiers as a "withdrawal". They were merely being shifted from one part of the UK to another, he said.

US scientists issue warning on breast implants

By Clive Cookson, Science Editor

Silicone breast implants rupture much more frequently than their manufacturers have reported, according to e review by scientists at the US Food and Drug Administration.

Lori Brown and colleagues say in today's issue of The Lancet, the UK medical journal: "There is an emerging consensus that the [rate] of breast implant rupture is much higher than previously suspected."

The manufacturere, besieged by huge claims for damages from women allegedly harmed by defective implants, have quoted failure rates as low as 0.2 per cent to 1.1 per cent. But the FDA scientists conclude that the rate is actually far higher – and rises rapidly as the implants age.

The largest analysis so far, involving 300 women, showed thet "the proportion of patients who could expect to have both implants intact was 89 per cent after eight years and 51 per cent after 12 years, but only 5 per cent after 20 years".

If the implant ruptures, the silicone gel may migrate to other parts of the body, causing inflammation and granulomas (small non-cancerous growths). Whether the leakage is associated with more serious health problems, such as cancer and diseases of the immune system and connective tissues, is a question of intense medical and legal debate.

Dr Brown and colleagues say the available evidence is insufficient to draw any reliable conclusions about the implants' health effects.

"Despite widespread interest in this issue, even the most basic information ... is not known," they say. "The frequency and severity of [effects] of implant rupture are not known. Nor is it clear whether implant rupture and subsequent increased exposure to silicone gel are associated with the development of systemic disease."

An estimated 1m to 2m women in the US have had implants, 80 per cent for "cosmetic augmentation". Under the FDA ruling, silicone implants can be used to reconstruct the breasts of women who have undergone surgery, under medical supervision, but are banned for cosmetic purposes.

UK ECONOMIC DIGEST

Rise in interest rates predicted

The Confederation of British Industry yesterday predicted a further rise in interest rates, as figures showed that export orders remain depressed but consumer spending is growing at rates unmatched since the boom year of 1998.

Consumer spending rose by 4.9 per cent in the year to the third quarter according to the Office for National Statistics. The quarterly rate slowed from 1.5 per cent to 1.2 per cent, but was depressed by weak spending following the death of Diana, Princess of Wales. The economy as a whole grew by 0.9 per cent in the year to the third quarter, slightly less than statisticians first thought. Industrial production and services output were both revised down.

The CBI expects consumer spending to grow by 4.7 per cent overall this year and 4 per cent in 1998. The employers' organisation has raised its forecast for economic growth this year to 3.5 per cent, but is sticking with 2.5 per cent for 1998. *Robert Chote*

■ UNDERGROUND RAILWAY

Financial help considered

The government is considering easing the financial plight of the state-owned London Underground railway by allowing it to carry forward unspent funds from one financial year to the next and by a short-term cash injection. Allowing a state organisation to carry forward unspent money is believed to be unprecedented.

Ministers are thought to be reviewing the idea of allowing the Underground to carry forward between £50m ($85m) and £75m from this financial year and making a cash injection of about £200m next year to overcome short-term difficulties. *Charles Batchelor*

■ MINIMUM WAGE

Employers demand exemptions

Employer organisations representing the UK's low wage sectors are stepping up efforts to ensure young workers under the age of 21 or even 25 are excluded from the provisions of the Labour government's proposed national minimum wage.

The organisations have warned the Low Pay Commission of job losses and a fall in recruitment if the government insists that young workers should be covered by the minimum wage. The Retail Consortium, representing 90 per cent of UK retail that covers 2.7m workers, proposes all employees under the age of 19 should be exempt from the minimum wage with everybody else paid receiving a separate starter-trainee rate set at 60 per cent of the minimum wage for a maximum of six months. *Robert Taylor*

■ ELECTRONIC GAMES

Sony video disc is fastest seller

Sony sold 48,000 copies of *Final Fantasy VII*, the new video game for its PlayStation system, in its first three days on sale in the UK, making it the fastest-selling compact disc game ever.

A best-seller in Japan, where it sold 2m units in three days, *Final Fantasy VII* was created by Squaresoft, a software team Sony poached from rival games manufacturer, Nintendo, and was developed over two years by more than 100 Japanese programmers. *Alice Rawsthorn*

NEWS: UK

Lloyd's revenue slide 'may squeeze profits'

By Christopher Adams, Insurance Correspondent

Fierce competition in international commercial insurance and the strong pound have eroded revenue at Lloyd's of London, the centuries old insurance market, threatening to drive profits this year sharply lower.

Figures published yesterday in Lloyd's monthly publication "One Lime Street" showed gross premium income – the total amount of business written by the market's insurance syndicates – fell 9.6 per cent to £3.67bn ($6.2bn) in the first half of this year.

It said "direct" business or primary insurance was 8 per cent lower during the first six months of this year, while income from reinsurance, excluding inter-syndicate business, fell 11.9 per cent.

For several years, premium rates in commercial insurance have been tumbling because of over-capacity. The absence of large losses and an influx of new capital has led to intense competition.

But more than 60 per cent of the revenue of Lloyd's is derived from outside the UK. Excluding the effect of sterling's strength against the US and Canadian dollar, the fall in gross premium income would have been 5.9 per cent.

Chatset, a firm of independent Lloyd's analysts, said the slide in revenue threatened to squeeze profitability further.

Reported profits are already expected to fall from £1.1bn in 1994 to £600m in 1996. "The implications are bad: sooner or later, Lloyd's will start to feel the chill," said Chatset.

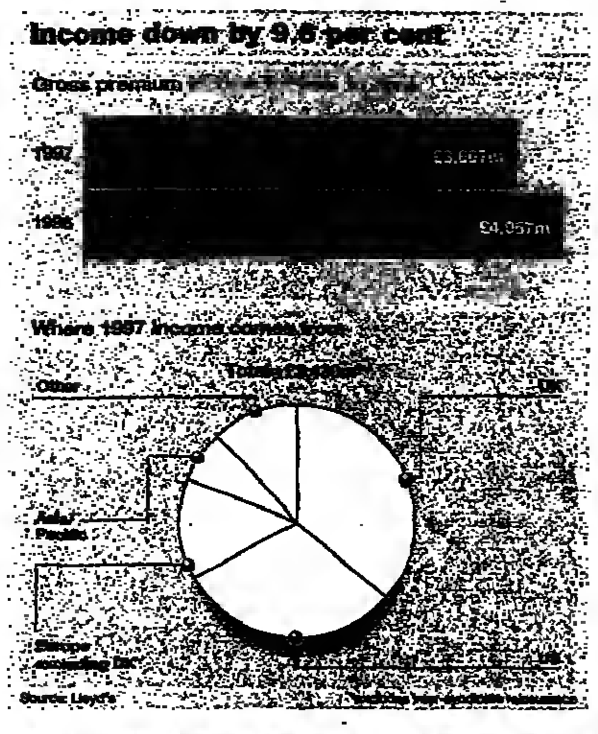
Claims from natural catastrophes, however, were still running at a relatively low level.

Lloyd's typically releases details of its financial performance once a year, announcing profits three years in arrears and also giving a forecast for subsequent years. The market has only recently begun to publish internal reports widely – in this case a quarterly review.

The magazine in which it appeared in summary form is distributed to Names, the individuals whose assets have traditionally supported Lloyd's.

Between 1996 and 1997 there has been little change in Lloyd's £10bn capacity – the amount of business syndicates can write.

The decline in revenue suggests underwriters are either not using available capital to its full extent or writing business more cheaply, which means that returns for Names will probably deteriorate.



Renault link will boost output at GM offshoot

By Haig Simonian, Motor Industry Correspondent

Employment at IBC, the off-road vehicles subsidiary of General Motors, could rise almost 40 per cent to 2,500 in the next four years with the launch of a second product range.

The new medium van being developed with Renault could push IBC's output above 100,000 units a year from early next century, said Cynthia Trudell, president.

Mrs Trudell, a chemical engineer and a former GM plant manager in north America, is the only woman to head a mainstream vehicle manufacturer.

This week IBC celebrated its 10th anniversary at a time of growing competition for sports utility vehicles – its core product.

IBC makes the Frontera, the off-road vehicle designed by Isuzu of Japan and sold by GM's Opel and Vauxhall subsidiaries in Europe.

Demand for the Frontera, launched in 1991 and Europe's best-selling four-wheel drive vehicle for three years, sagged as rivals entered the market.

Competition will sharpen in January, when the Land Rover subsidiary of BMW launches its Freelander, the biggest challenge since the Frontera's introduction.

A new Frontera is planned. Isuzu's next-generation product has recently gone on sale in the US and Japan. But Mrs Trudell admits the new model will probably not reverse the gradual decline in IBC's sales in the past two years as the European sports utility market has become saturated. Frontera output will fall by about 4,000 units to about 28,000 this year, compared with 1996. "We have some significant challenges", she says.

One of the main factors behind GM's decision to build the new product in Luton to the north of London was the willingness of IBC's employees to work a third shift if demand warranted, says Mrs Trudell. Luton does not qualify for special regional investment subsidies.

The company has been a model for new working practices since its creation in 1986 as a 60/40 joint venture between GM and Isuzu. Although Isuzu's stake has dropped to 17 per cent in the past year, as it has not participated in the estimated £180m ($304m) spent by GM building the new van and Frontera in Britain, Isuzu's industrial relations legacy has remained undiluted.

IBC's flat hierarchies and Japanese-style consensus management, with close union involvement, have revolutionised industrial relations at the plant. The company claims to have lost barely 100 hours in strikes in the past decade.

FT-TV expects CNBC rebuff

By John Gapper, Media Editor

Financial Times Television, a sister company of the Financial Times, announced redundancies yesterday because of the anticipated loss of a contract with US-owned cable channel CNBC.

FT-TV staff were told that the company expected to lose a daily programming contract with CNBC in Europe as a result of the anticipated merger of the international television interests of CNBC and Dow Jones, the US publisher.

General Electric of the US, which owns CNBC, is thought to be close to reaching a deal with Dow Jones to pool operations in Europe and Asia. Dow Jones has a 70 per cent stake in the London-based European Business News channel.

Colin Chapman, chief executive of FT-TV, which is owned by the media company Pearson, said it expected to lose the CNBC contract but it had not yet had confirmation. It had decided to inform staff as quickly as possible. Of the staff of 80, 56 will lose their jobs.

Mr Chapman said FT-TV, which has been profitable over the past three years, was holding talks with other broadcasters over new contracts. CNBC and Dow Jones, owner of the Wall Street Journal, are expected to replace the programming provided by FT-TV in the European time zona with Dow Jones material.

The operating losses of Dow Jones's international television interests have contributed to discontent among some members of the controlling Bancroft family. They have also criticised the running of its Dow Jones Markets subsidiary.

FT-TV has smaller contracts with a television station in Dubai and in the UK with Channel 5, which is partly owned by Pearson.

Financial regulator warns on scandals

By Jane Martinson, Investment Correspondent

Howard Davies, chairman of the Financial Services Authority, yesterday warned that it is likely to toughen its stance on the responsibility of senior management for financial scandals. The authority is the new integrated regulator for the City of London.

"It is absolutely vital – and this is a clear lesson of pensions mis-selling – that senior management take regulatory problems seriously, and particularly focus top level effort on redress," said Mr Davies.

Mr Davies blamed "industry waywardness on the one hand, and regulatory weakness on the other" for the pensions mis-selling scandal.

He was adamant the unitary structure of the new organisation would improve regulation. The FSA, officially launched last month, combines nine City regulators. "The two-tier structure did lead to dysfunctional overlaps and dilatory regulatory responses," he said. He pointed out the lack of cohesion in particular over the pensions mis-selling scandals and the different way companies were treated.

Earlier this week the FSA said it was looking at ways of bringing regulation of Prudential, the UK's biggest life and pensions company, into line with that of other financial services providers.

In a speech to yesterday's annual autumn conference of the National Association of Pension Funds, Mr Davies also outlined an "early warning unit" which would operate across the board at the FSA.

A team of people was used to identify potential risks and ways of dealing with them at the Securities and Investment Board, the main forerunner to the FSA.

The work of this unit is to be broadened and enhanced to act within the overall structure of the FSA's new central policy directorate.

UK NEWS DIGEST

Queen reassured in Blair tribute

Queen Elizabeth yesterday made her clearest acknowledgement yet of the need for the monarchy to modernise by declaring that the royal family must keep constantly in touch with public opinion.

In a speech marking her golden wedding anniversary, the Queen delivered an unexpectedly frank response to the criticism of the royal family which followed the death of Diana, Princess of Wales.

She told a "people's banquet" hosted by Tony Blair, the prime minister, that, like the government, the monarchy exists only with the "support and consent of the people".

Mr Blair used the occasion to offer a fulsome tribute to the Queen and to insist that his project to modernise Britain did not imply any diminished role for the monarchy. "A strong and flourishing monarchy can play the same full part in a new modern Britain as it has in the past," he said. *David Wighton, London*

■ BCCI COLLAPSE

Accountant jailed for 5½ years

An accountant convicted of aiding the Bank of Credit and Commerce International fraud was yesterday sentenced at a London court to five and a half years in prison. Abdul Chiragh was convicted on Wednesday of false accounting, conspiracy to defraud and perverting the course of justice.

Mr Chiragh set up accounts to conceal from the auditors fraudulent loans to Abbas Gokal, the former shipowner sentenced to 14 years in jail after being convicted earlier this year of a $1.2bn fraud over BCCI. Judge Ian Davies told Mr Chiragh: "You employed your skills as an accountant to prepare these accounts. You were engaged in this criminal enterprise for over two years and these offences remain very serious." *John Mason, London*

■ WALLPAPERGATE

Judicial head criticised

Lord Irvine, Lord Chancellor (head of the judiciary in England), has been criticised by the opposition Conservative party for spending more than £300,000 ($507,000) of public money on refurbishing his personal apartments - including nearly £60,000 on wallpaper.

Lord Irvine ordered the revamp of his rooms in the Houses of Parliament after complaining that a previous refurbishment was lacking in authenticity. Lord Irvine's department has argued that the work is needed because the apartments are part of the national heritage.

"Presumably this is what the government meant by having to make hard choices," said one leftwing member of the governing Labour party. "It must be difficult to choose your wallpaper when you've only got £60,000 ($101,400) to spend." *George Parker, London*

■ OFFICIAL SECRETS ACT

Former Governor is cleared

Former Governor of Hong Kong Chris Patten will not be prosecuted over allegations that he breached the Official Secrets Act, the UK government said yesterday. The announcement, from attorney general John Morris, officially clears Mr Patten of the charge that he handed classified documents to the journalist Jonathan Dimbleby for his book on Mr Patten's term, The Last Governor.

CONTRACTS & TENDERS

LEGAL NOTICES

No. 005673 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
THE HARBOUR ASSURANCE COMPANY (UK) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 11th November 1997 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £7,373,000 to £2,736,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 3rd day of December 1997.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 20th day of November 1997.

Holman, Fenwick & Willan,
Marlow House,
Lloyds Avenue,
London EC3N 3AL
(Tel. 0171 488 2300)
Ref: RNH/JYK/557
Solicitors for the above named company

BUSINESSES FOR SALE

BUSINESSES FOR SALE

ARTS

Immersed in contemporary music

Stephen Pettitt reports on Stockholm's ambitious celebration of the work of Sir Michael Tippett

Curiously, in this era of European integration, contemporary music does not, on the whole, travel well. Britten, one or two pieces apart, scarcely gets beyond Britain, and perhaps stranger still the more idiosyncratic yet more inclusive art of Sir Michael Tippett, though it has a following in the US, has also found the eastward leap difficult. The first performance in France of the wartime oratorio *A Child of Our Time* took place only in the 1990s. Mainland continental composers of the same (and younger) generations have equal difficulty in coming here.

But Sweden, at least, can no longer complain of a dearth of Tippett, for this week Stockholm has experienced something like total immersion in his music. The men behind it were the director of the Konserthus in Stockholm, Ake Holmquist, and Tippett's assistant and partner Meirion Bowen.

Sweden's enlightened arts policy meant that Holmquist's first worry was to fill his lovely art deco hall with stimulating programmes rather than with bodies. He duly served up an extraordinary programme that included most of Tippett's major works, the five operas apart. By the end of the week potential converts – not droves of them but a healthy number in the four days I was there – will have been able to hear all four symphonies and piano sonatas, all five string quartets, the Triple Concerto and Concerto for Orchestra, the song cycles, the late works *Byzantium* and *The Rose Lake*, the oratorios *A Mask of Time* and *A Child of Our Time*. Only *The Vision of St Augustine* and the Piano Concerto were conspicuous by their absence.

The grand but frail old man himself had been invited and duly arrived, but fate intervened and instead of attending the first major concert, the European mainland premiere of the enormous, all-embracing 1982 oratorio *A Mask of Time*, he found himself laid low in a Stockholm hospital with pneumonia. It was therefore with some anxiety that the audience gathered. But the conductor, Andrew Davis, reassured us that the doctors were not unduly concerned, and offered the performance as "a sort of get well card".

The players of the Royal Philharmonic Orchestra, the combined Radio Chorus and Eric Ericson Chamber Choir, and the soloists Carole Farley, Anna Larsson, Jon Garrison and Steven Page could not have been given greater motivation. It was a marvellous performance. Farley was just as powerful as the original performer, Faye Robinson (who, behind me, remarked that this was also the first performance of the work without her), while Davis made wonderful sense of its sprawling acreage.

Bowen expressed initial surprise at the small number of chorus voices – around 70 – but they did a wonderful job, substituting a transparent, penetrating sound for the usual solid wall of massed amateurs.

The next evening Richard Armstrong took charge of the excellent Goteborg Symphony Orchestra in a programme that began with Tippett's charming, ever-so-gently tongue-in-cheek *Suite for the Birthday of Prince Charles*, and continued with the crucial Second Symphony (1957), and the Yeats setting *Byzantium* (1990), another Robinson speciality – she gave its world premiere in place of Jessye Norman, who withdrew late in the day. This time the soloist was Helen Field – the first Jo-Ann in Tippett's final opera *New Year* – whose questioning, vulnerable, wondering qualities were perfect for these evocative pieces.

Robinson reserved her own appearance for the Third Symphony (1972), given by the Swedish Radio Symphony Orchestra under Alun Francis, nobly stepping in for Paul Daniel. A performance of the lovely 1979 Triple Concerto (with Jannica Gustafson, Hakan Olsson and Ola Karlsson as soloists) began hesitantly but soon ripened. Equally, there were dangerous moments in the symphony. The fast music before the soprano entry in the final movement was taken much too fast, and turned into a chaotic, highly approximate scurrying among the orchestra's strings. But Robinson stood to sing, and immediately and imperiously took the music by the scruff of the neck, making a glorious sound and singing with a real passion that affected all around her, on stage and in the audience.

The next day's three concerts were full of surprises. I caught the Lindsay Quartet, superb in Tippett's First and Fifth Quartets (1935, revised 1943, and 1991), and, in the afternoon, the Norrkopings Symphony Orchestra under Nicholas Cleobury in the Handel Fantasia for piano and orchestra (1941 – not Tippett's finest work of the period), the Concerto for Orchestra (1963), and the First Symphony (1945) – a bewildering mixture of styles. This orchestra, new to me, is a young, vibrant outfit, extremely well trained. Finally, the Stockholm Chamber Orchestra under Leif Segerstram – one of only two non-British orchestral conductors to perform during the week – gave a polished and involving concert, whose first half included three earlyish works – the Divertimento on Sellinger's Round (1954), the Little Music (1946), and the magisterial Concerto for Double String Orchestra (1939), whose gorgeously mellow slow movement and the unexpected emergence in the finale of the folksong "Ca' the Yowes" palpably moved this audience, and rightly so, though they found Bowen's brilliantly resourceful arrangement of the 1978 Fourth Quartet, *Water out of Sunlight*, and even the 1953 *Fantasia Concertante* on a theme of Corelli more of a challenge.

Yet generally, the level of engagement in the hall was refreshing and encouraging. It might take some time for Tippett to conquer Scandinavia – he is hardly top of the contemporary classical charts even in Britain – but these first footfalls of his music surely made indelible marks, intriguing new listeners with its feeling of courageous determination, its linearity, its powerful messages. In these respects, and in its anarchy and often naive lyricism, Tippett can be likened to Beethoven. But I had not realised before how, unlike Beethoven, he often ends a piece not in affirmation but with a question, expressed through juxtaposed clashing harmonies, quiet dynamics, and a sense of the music floating back into the cosmos from where it was plucked. The only answer is that there is no answer. We just do our best.

Sir Michael Tippett: intriguing new listeners

Renaissance realist reappraised

William Weaver reviews the Lorenzo Lotto exhibition in Washington

During his lifetime (1480-1556/7) the Italian Renaissance painter Lorenzo Lotto was overshadowed by his contemporaries, notably his fellow-Venetians Giorgione and Titian. At one of the several low points of his career, in 1509, the frescoes he had painted for a room in the Vatican were even destroyed ("knocked to the floor" Vasari graphically says), to be replaced by new – still-surviving – works by Raphael.

After Lotto's death, his ill-fortune continued; many of his best paintings were attributed to others, and he was largely neglected by scholars. Then, in 1895, the young Bernard Berenson wrote a long, seminal essay on Lotto, establishing an itinerary and a corpus that remain cogent today. In 1953 a big Lotto show in Venice attracted further attention to this lonely, enigmatic and attractive master.

Earlier this month, another show opened at the National Gallery of Art in Washington, the first exhibition devoted to Lorenzo Lotto in the US. It was a memorable occasion, bound to stimulate further scholarship and new awareness.

Though some aspects of Lotto's achievement could not be represented (obviously the fresco cycle at Trescore, near Bergamo, could not be moved), the 46 paintings carefully assembled represent a striking, provocative review of Lotto, from his early days in Venice and Treviso, through stays in Bergamo and finally in the Marches.

In Treviso, still in his twenties, Lotto painted the arresting portrait of his patron, the authoritarian archbishop de'Rossi: head held high, pale, piercing eyes, ruddy Northern complexion, hand clenching a document. At the same time, Lotto devised the "Allegory of Virtue and Vice" that served as a decorative cover for the portrait. This allegorical scene, like its companion piece, the "Allegory of Chastity", is part of the permanent National Gallery collection. For this show, the de'Rossi portrait, freshly cleaned, arrived from Naples while its mate, a "Portrait of a Lady" (traditionally believed to be the bishop's sister) came from Dijon. United, the four works describe a whole chapter in the life of the young artist.

Deeply devout, Lotto was particularly fond of Saint Jerome, and the exhibition includes several depictions of the saint, seen more as penitent in the wilderness than as translator in his study. Several of Lotto's great altarpieces are also here, though the larger ones – notably the immense San Bartolomeo altarpiece in Bergamo – could not travel.

The smaller predella pieces of the St Lucy altarpiece in Ancona suggest Lotto's narrative skill, and – as one scholar has pointed out – his anticipation of cinema techniques, with long shots and zooms and even a kind of slow pan over the multiple pairs of oxen, trying in vain to shift the saint from her symbolically steadfast position.

Many writers have pointed out Lotto's realism and his quirky humour, which prompts him to place an angry, frightened cat in the central position of the dramatic Recanati Annunciation, between a disheveled angel and a young Virgin Mary, who receives the news of her future not with meek acceptance but with clear dismay.

Quirky humour: in Lorenzo Lotto's 'Recanati Annunciation', a frightened cat takes centre stage while the Virgin Mary receives the news of her future with clear dismay

In his last years, Lotto found refuge in that little-known region of Italy, the Marches, at the Santa Casa sanctuary where he became a lay brother. He was not above performing the humblest duties, even painting numerals on the beds in the shrine's infirmary; but, despite failing powers, he also produced a few pictures.

One of the finest, perhaps his last, is in the Washington show: a small "Presentation of Christ in the Temple". In subdued colours, against a simple architectural background, the mother, looking away from the solicitous High Priest, cradles the child. An intensely moving scene, but Lotto could not resist a touch of wily humour: the altar table rests on splayed human feet.

The exhibition remains in Washington until March 1. It then moves to Bergamo, the city where Lotto did some of his finest work, much of it preserved in churches and in the Accademia Carrara collection. The catalogue – edited by David Alan Brown, co-curator of the exhibition with Peter Humfrey and Mauro Lucco – is handsomely produced and a milestone in the sometimes tortuous, progressive recognition of Lotto's greatness.

Theatre/**Alastair Macaulay**

French highlight in rehearsal

The French Theatre Season is proving a real curate's egg. It began on a high with the Comédie-Française's exceptionally classical, controlled, and elegant production at the National Theatre of Marivaux's *Les Fausses Confidences*. It went on to an English translation of Michel Vinaver's *Overboard* (Orange Tree, Richmond) out of which I walked at intermission. The Royal Shakespeare Company's contribution, *Beckett Shorts*, was a non-French cheat: six of them Beckett wrote in English. Robert Wilson's production of Marguerite Duras's *La Maladie de la Mort* (Royalty Theatre) was a prettily pictorial *poseur* salad of lean *nouvelle cuisine* pretentiousness which soon dwindled into high camp of the dreariest kind.

Now the Royal Court, supported by the British Council, has arrived to help the season out. It is launching its first New European Writers' Season in its Theatre Upstairs (a.k.a the Ambassadors Theatre) over the next five weeks. New plays from France, Spain, and Germany are being performed in mid-evening (8.00 or 8.45pm), and a series of other new plays from France and Germany are receiving rehearsal readings at 7.00pm.

Curiously, in the first French pair of plays, it is the fully performed play that is no great shakes and the rehearsed reading that is something wonderful. *One More Wasted Year*, by Christophe Pellet, is a posey, cynical, and depressive series of short scenes in which an unemployed young man's descent into insecurity, despondency, and a mild but pathetic and bizarre form of prostitution is rendered with satirical detachment. The translation, by Martin Crimp, seems perfect; but, then, I find Crimp's work posey, cynical, modish, detached, and horrid. And I have not examined the original. Paul Bettany, acting with a very nicely judged mixture of bitterness and vulnerability, leads a good cast. The play leaves you cold, and means to.

But *A Desire to Kill on the Tip of the Tongue*, the rehearsed reading that preceded it, is so enthralling a play that I greatly hope we will have the chance to see a proper production of it. The author is Xavier Durringer; and he too seems to have been handsomely matched to his translator, Mark Ravenhill. The action occurs one evening, outside a club, in one unbroken scene. There are six characters, ranging from late adolescence to early middle age; and seamlessly the play moves from idle chat about dating and sex and youthful sparring into heartfelt discussion of marital breakdown, murderous jealousy, and the idea of suicide. We hang happily on the idle chat and then find ourselves hanging painedly on the talk of anguish and death – and, although we are perfectly aware of the narrative thread that leads from the innocent beginning to the experienced ending, we are still stunned by the fluency with which Durringer leads us all the way.

Dominic Cooke directs; and his cast – Rakie Ayola, Charles Dale, Beatie Edney, Roger Frost, Shaun Parkes, and Justin Salinger – is beyond praise. Durringer, who also writes for the cinema, has written over 12 plays; *A Desire to Kill on the Tip of the Tongue* was first performed in Paris 1991, has toured France, and has also received rehearsed readings in New York and New Orleans. This performance was, alas, only a one-off but it was also a much-needed highlight of London's French Theatre Season.

The Royal Court European Writers Festival continues until December 20 at its Theatre Upstairs, London WC2. Sponsored by the John Studzinski Foundation, and the British Council.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Cosi Fan Tutte: by Mozart. Netherlands Opera production, conducted by Ivor Bolton in a staging by Jurgen Flimm, with an entirely new cast; Nov 21, 24, 26

BARCELONA

EXHIBITIONS
Fundació Joan Miró
Tel: 34-3-329 1908
www.bcn.fjmiro.es
Alexander Calder: centenary celebration of work by the maker of mobiles. The show focuses on his close relationship with Miró; to Feb 15

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Aida: by Verdi. Staged by Götz Friedrich, with sets and costumes by Pet Halmen; Nov 22
● Madame Butterfly: by Puccini. Staged by *Pier Luigi Samaritani*; Nov 25

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● The Sibelius Cycle: Sir Colin Davis conducts the London Symphony Orchestra in a programme including Symphony No. 5. With soprano Katarina Dalayman; Nov 23
● The Sibelius Cycle: Sir Colin Davis conducts the London Symphony Orchestra in a programme comprising Symphony No. 6, Symphony No. 7, and the Violin Concerto with soloist Anne-Sophie Mutter; Nov 26

EXHIBITIONS
National Portrait Gallery
Tel: 44-171-3060055
Bruce Weber: first major museum retrospective devoted to Weber's portraits, this show includes some 200 prints, of subjects ranging from young Hollywood stars to the Duchess of Devonshire; to Feb 15

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Falstaff: by Verdi. This co-production with Opera North, first seen in Leeds, is conducted by Dohnányi and directed by Matthew Warchus. Cast includes Alan Opie in the title role; Nov 21, 24
● The Magic Flute: by Mozart. Nicholas Hytner's production, *revived by David Ritch and conducted by Christopher* Moulds; Nov 22, 25

Royal Albert Hall
Tel: 44-171-5898212
The Royal Opera: Otello, by Verdi. Conducted by Jacques Delacôte in a staging by Elijah Moshinsky; Nov 21, 22

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery; Nov 24

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
Henry V: by Shakespeare. Ron Daniels directs this Royal Shakespeare Company production, with Michael Sheen in the title role; until tomorrow, after which it will tour the UK

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-972 8001
Los Angeles Philharmonic: conducted by Paavo Järvi in works by Tüür, Mozart and Mahler; Nov 21, 22, 23

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Countess Maritza: by Kálmán. Premiered in Santa Fe this summer, this lively production by Linda Brovsky stars Ashley Putnam and is conducted by John Crosby; Nov 22, 25

MADRID

OPERA
Teatro Real
Tel: 34-1-516 0600
La Monnaie: touring production of Britten's Peter Grimes. Conducted by Antonio Pappano in a staging by Willy Decker; Nov 22, 23

NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
Opening Night Benefit: the first night of the season will be the farewell performance of Merrill Ashley, retiring from the company after 31 years; Nov 25

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Flowers Underfoot: Indian Carpets of the Mughal Era. 50 rugs from the 16th to 18th centuries. With loans from private collections in India, Europe and Japan, the exhibition includes masterpieces never before exhibited; to Mar 1
● King of the World: A Mughal Manuscript from the Royal Library, Windsor Castle. The Padshahnama, by Abdul-Hamid Lahawri, made for the emperor Shah-Jahan, builder of the Taj Mahal, and one of his finest possessions; to Feb 8

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● La Clemenza di Tito: by Mozart. Conducted by James Levine in a staging by Jean-Pierre Ponnelle. Cast includes Anne Sofie von Otter and Anthony Rolfe Johnson; Nov 26
● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Nov 24

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Marco Polo: by Tan Dun, premiered in Munich last year. New production conducted by the composer and directed by Martha Clarke; Nov 22

PARIS

DANCE
Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
Paris Opera Ballet: mixed programme – Soir de fête by Staats, L'Arlésienne by Petit, and La Symphonie fantastique by Massine; Nov 21

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
● Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Nov 23, 26
● Nabucco: by Verdi. Conducted by Pinchas Steinberg in a staging by Robert Carsen; Nov 22

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Eugene Onegin: by Tchaikovsky. Yuri Temirkanov conducts his 1980s Kirov Opera production, with a cast including Anthony Michaels-Moore and Elena Prokina; Nov 22, 25
● Guillaume Tell: by Rossini. Conducted by Patrick Summers in a staging by Lofti Mansouri. Cast includes Patricia Racette; Nov 21, 24
● Pelléas et Mélisande: by Debussy. Conducted by Donald Runnicles in a production by Colin Graham. Frederica von Stade and Simon Keenlyside sing the title roles; Nov 23

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Chamber Orchestra of Europe: conducted by Emmanuel Krivine in works by Ravel, Strauss, Wagner and Bizet; Nov 25

OPERA
NHK Hall
Staatsoper Unter den Linden: Die Walküre, by Wagner. Conducted by Daniel Barenboim; Nov 21

WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
Lorenzo Lotto: Rediscovered Master of the Renaissance. 50 paintings, many of them on loan from churches and museums in Italy; to Mar 1

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Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

Back down to earth

Unfortunately for Tony Blair, the Formula One row has come as the government is entering a tougher second phase

Be wary of tycoons bearing gifts; be aware that others always assume the worst; be sure to confess before you are caught. We must suppose that these everyday maxims of modern politics are now seared in the consciousness of Tony Blair's administration. For a prime minister so accustomed to adulation, the past two weeks have been a sobering experience.

My own view is the furore over the links between Formula One motor racing, tobacco sponsorship and Labour party funding need not do lasting damage. It may, though, come to seem otherwise. By unhappy coincidence, the government is about to enter a different phase. It is one in which, to borrow a phrase, things can only get tougher.

It has been said before in this column that Mr Blair has been a little wide-eyed towards business leaders. I suspect that, henceforth, he will treat their special pleadings with the healthy scepticism he applies to those of the unions.

We also know now that the prime minister put too much faith in his public image. Privately, even opponents will admit he did not exempt Formula One from a ban on tobacco sponsorship because Bernie Ecclestone, the industry's effective owner, paid £1m into his campaign funds. Mr Blair is not dishonest. Nor is he that foolish.

But, if there was always more smoke than fire, he cannot take the voters' trust for granted. The reluctant drip drip of information about the donation was calculated to encourage suspicions. As the annual survey of Britain's social attitudes reminded us this week, public confidence in politicians has never been lower.

This government said it was going to have different values. That's hard to explain when Derry Irvine, the lord chancellor, finds it necessary to spend £60,000 of public money on wallpaper for his grace-and-favour apartment in the palace of Westminster. A penchant for sumptuous living at the taxpayers' expense sends a curious message to the low-paid, whom Lord Irvine shortly intends to deprive of the right to state-funded legal aid. The lord chancellor may be heading for a fall.

My guess, though, is that the main effect of *l'affaire* Ecclestone will be to shine a stronger light on the workings of Mr Blair's administration. There are already murmurs about his presidential style. Deals struck on the sofa of his Downing Street study are said to be a poor substitute for debate in the cabinet room.

I think this criticism is overdone. We always knew that Mr Blair was his party's strongest asset. Many people voted for him for the very reason that he promised a regime of iron discipline over his colleagues.

There may well be something to be said for widening access to the Downing Street fold. David Blunkett, the energetic education secretary, should not have to stake such a claim. Jack Straw, the home secretary, could also be drawn in. The fumbled formulation of

> Many people voted for Tony Blair for the very reason that he promised a regime of iron discipline over his colleagues

their stance on the single currency pointed up the dangers of too exclusive a relationship between Mr Blair and Gordon Brown, his chancellor. That said, I am not aware of any great upsurge of popular sentiment in favour of recorded votes at cabinet meetings.

Some ministers anyway are struggling under the burdens of office. Mr Blair may want a partnership with business but Margaret Beckett's Department of Trade and Industry is adrift, at risk of becoming a wholly-owned subsidiary of the Treasury. It is whispered in Whitehall that Mrs Beckett is too jealous a guardian of her free time.

There is some puzzlement too about Robin Cook. His first few months at the Foreign Office witnessed a blizzard of activity. Mr Cook is widely credited with having one of the sharpest minds in the cabinet. But there are more recent signs of disengagement. Some are wondering whether Mr Cook might yet be pondering a future leading the new Scottish parliament.

No one, of course, could accuse Mr Brown of inactivity. His work rate has left the Treasury dizzy. Next week's Green Budget is just the latest instalment. But the chancellor's style is exclusive, both of Treasury officials and of cabinet colleagues. This points up another problem – most of the relationships at the top are vertical, between Mr Blair and each minister. Good government needs broader co-operation.

Such troubles are neither surprising nor insurmountable. The euphoria surrounding the election victory and the baffling emotional spasm after the death of Diana, Princess of Wales, obscured what we always knew. The quality of Labour's senior figures has always been uneven and there are plenty of personal rivalries.

The present line-up is anyway not Mr Blair's choice. It was foisted upon him by Labour party rules. That can be remedied in his first reshuffle. There is talent to be tapped. As for the animosities, he will have to live with them. It is nothing new. There is no friendship at the top – that was a favourite observation of David Lloyd George.

More important is how the government copes as it comes of age over the next year. This second phase will see it confronted with hard choices amid the intense pressure of events. Hitherto, the policies have been precast in opposition.

The economy, still growing too fast, will come to earth with a bump. Public services, as we can see from the troubles in the health service and the rumbling row over benefit cuts for lone mothers, will feel the pain of the public spending squeeze. And voters will start blaming New Labour.

All this was always predictable. But for a government so used to acclaim, it will come as a nasty jolt. How it fares will depend on its determination of purpose – above all in delivering on its promises on health, education and welfare reform.

On the prime minister's part, that means a willingness to think radically in government, even when that means forsaking the warm embrace of the establishment. Most of all, though, it means connecting his policies to the values New Labour promoted at the election. People will tolerate plenty of discomfort along the way as long as they are confident of the government's destination.

Mr Blair is said to have told a recent guest at Chequers that he wanted more from his place in history than to be marked out as a politician who could win elections. I believe him. But it will mean losing some friends along the way.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Best opportunity in fight against bribery

From Mr Graham A Rodmell.

Sir, Transparency International (UK) fully endorses the timely article by the US commerce secretary ("Clamping down on commercial bribery", November 18). All the points raised were included in our submission to Lord Clinton Davis, the trade and industry minister, two months ago. We expect the UK delegation in Paris now to be engaged in making the criminalisation of foreign public officials fully effective, both in terms of the convention and in the necessary parliamentary action that should follow.

UK legislation should specifically outlaw offshore bribery, as the government agreed to do in June, in the EU convention to combat corruption. It is important for the UK to be seen to be taking a lead in the context of its commitment to an ethical foreign policy and to safeguard the long-term interests of UK business.

Effective implementation of the convention will depend on sound multilateral co-operation, monitoring and follow-up. The valuable contribution made by the UK to the monitoring system for the international anti-money laundering initiative (Financial Action Task Force), launched by the G-7 in 1989, provides a good model to ensure there is no backsliding by convention signatories. This is the best opportunity trading nations have had collectively to combat bribery in the pursuit of international business.

Graham A Rodmell,
Transparency International (UK),
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1 George Street,
Uxbridge UB8 1QQ, UK

Bluffing it out with Iraq

From Mr Herb Greer.

Sir, Your leader "Clear goals on Iraq" (November 17) nicely encapsulates almost every error which the US (*soi-disant* the UN) has made in dealing with Saddam Hussein. The statement of rewards and punishments depends on a credibility which was effectively destroyed in the backwash of the Gulf war. In such circumstances you do not state these things; you give them without rhetoric or else you appear impotent. The greater a power, the greater contempt is incurred by failure to use it.

As for "pursuing" Saddam indefinitely, this raises the question (which you do not answer) of how you pursue someone who has already been caught. We know what he is doing and we are trying to bluff him out of it. The bluff is not working. On the contrary, it is adding to his prestige and our obloquy in the Arab world.

This is one of those problems which does not have a right or a wrong solution, but a set of hard choices. The first choice is to destroy this man and accept the collateral damage; this may make him a martyr, but dead martyrs make no weapons of mass destruction. The second choice is to risk what he will do if he gets out from under yet again – in particular a possible missile attack against Israel which would incur nuclear retaliation. It seems astounding that the second risk, and its flagrant image of our own weakness, seems more acceptable to our so-called leaders.

Herb Greer,
124 Fog Lane,
Didsbury,
Manchester M20 6SP, UK

Emu supporters must confront dangers of labour immobility

From Mr Robin Christie.

Sir, I hope that Richard Lambert's well-pointed commentary on Emu ("Europe's dangerous monetary experiment", November 19) will be the catalyst to bringing one of the most fundamental problems associated with a single currency – the inherent immobility of European labour – to the forefront of the political debate.

It is astonishing that over years of political anguish, this has not been given any public airing. In a world ruled by irony, it is fitting that Emu's greatest supporters are rushing towards a policy destined to destroy community life outside all but the most international of European cities and effect, if not war, then certainly fighting on the streets.

I hope Richard Lambert's article ignites the required political debate and I encourage your paper to campaign for such until Emu supporters either provide a rational response to this dangerous shortcoming or declare that monetary union can only occur once there has been greater, natural cultural integration within Europe.

Robin Christie,
32 Savile Row,
London W1X 1AG, UK

From Mr David Finch.

Sir, Your article on US views towards European economic and monetary union adds nothing to the serious debate that is so conspicuously lacking. Perceptive Americans appear to have identified correctly some of the real problems in pushing through political union under the guise of a single currency. Typically, the response of a "good European" is to rubbish anyone as "frightful" who subscribes to such views while at the same time attempting not at all to address the important issues raised.

David Finch,
27 High Street,
Swiderby, Lincoln, UK

From Ms Mary McD. Currie.

Sir, While not setting it out as logically as in Richard Lambert's excellent article, a considerable majority of UK people entirely agree with Americans on the subject and, while a few of the more vocal may be "frightful", most are normal, pleasant people, easy to get on with. On the other hand, almost all pro euro people seem to be autocratic, refuse to listen to views opposed to their own and are anything but easy to get along with.

But surely it is time we all stopped denigrating those with views different from our own. We are, after all, supposed to be a democracy.

Mary McD. Currie,
5 Capstan Close,
Cambridge CB4 1BJ, UK

From Mr Dick Leonard.

Sir, Professor Martin Feldstein, quoted by Richard Lambert, may be an excellent economist, but his knowledge of European history is seriously deficient if he believes 1815-1870 was a period of peace comparable to that in western Europe since 1945. Has he not heard of the Crimean War (1854-56), the war in Italy between France and Austria (1859-60), the Austrian and Prussian war against Denmark (1864) and the Austro-Prussian War (1866)? All were bloody confrontations; by contrast, as far as I am aware, not a single person has died as a result of armed conflict within the EU since 1945.

Dick Leonard,
32 Rue des Bégonias,
1170 Brussels, Belgium

Yes, gold, whose nature does not alter ... and which has no nationality ... has, eternally and universally, been regarded as the unaltered currency par excellence.

Loss of lustre

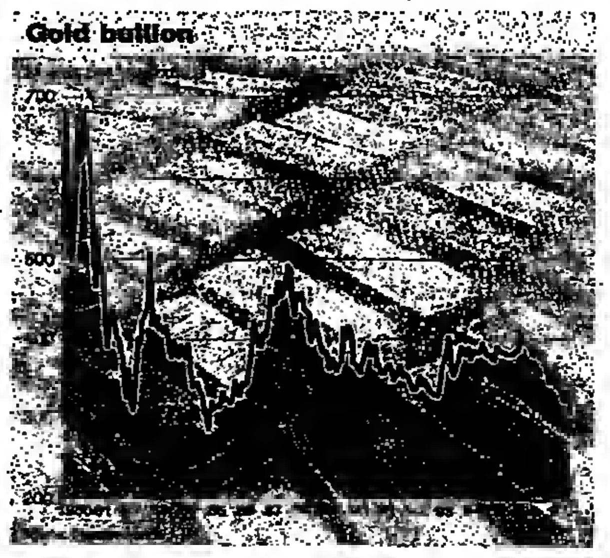
Robert Chote asks whether central banks have lost their faith in gold

Thus Charles de Gaulle. Central bankers, too, have long regarded the yellow metal as the ultimate store of value. In vaults around the world, they hoard a third of all the gold that has ever been mined. But there are signs of a change: for a new generation of central bankers, gold may be losing its mystique.

The shift in perception is having a devastating effect on an already depressed gold market. From a peak of $850 a troy ounce in 1980, the gold price dropped to $320 by early 1993. It recovered to $417 by early last year since when it has been all downhill. At the end of last week the price dropped below $300 for the first time in more than 12½ years.

Central banks are largely to blame for the recent fall. Private sector demand has remained robust but some central banks have been selling gold from their reserves. Others are thought to be on the point of doing so. There is even talk that the European Central Bank could do without gold altogether.

Governments and international financial institutions hold about 1.1bn ounces of gold, worth $335bn at market prices. So when central banks appear to lose interest in the metal, investors and producers get nervous.



But to what extent are central banks really losing interest? Though gold relinquished its role as the formal anchor of the international monetary system in 1971, it has long been regarded as a means of insuring against inflation, which erodes the value of paper currency. Traditionalists who dispute the notion that "inflation is dead" are unlikely to think gold has passed its sell-by date.

As the gold lobby points out, more central banks were buyers last year than sellers, although the amounts were relatively small. During the 1990s gold enthusiasts have shrugged off the sale of 15m ounces by Belgium and 9.6m ounces by the Netherlands as thinly disguised attempts to reduce national debt burdens in readiness for European economic and monetary union.

But Australia's announcement in July that it had sold two-thirds of its official holdings came as a big blow. This was the first time a major gold producer had made central-bank sales. More than that, the action was justified on the grounds that the authorities wished to raise the return on their international reserves.

Australia's reasoning was simple: why should a central bank maintain gold reserves when it can hold US treasury bills on which it earns interest? To be fair, gold is not necessarily a non-interest bearing asset. More than 60 central banks are now prepared to lend gold to the private sector, typically at interest rates of between 1 and 3 per cent – not bad compared with yen rates.

The Bundesbank announced last week that for some time it had been lending part of its 95m ounce gold reserves on the London bullion market. Although it claimed it had "absolutely no intentions of selling gold", purists say a willingness to lend the metal as good as concedes the principle that it could be sold.

Significantly, the market doubts the Bundesbank's intentions only months after Germany's central bank torpedoed Bonn's plans to revalue its gold reserves in the run-up to Emu. Part of the explanation is the timing: the announcement came just after a recommendation by government-appointed experts in Switzerland that the country – another paragon of monetary virtue – should sever the formal link between gold and the Swiss franc and dispose of 1,400 tonnes of "surplus" reserves. The Swiss government was lukewarm about the proposal, but damage to market confidence had been done.

Germany and Switzerland have an especially important role because, along with the US, France and Italy, they constitute the first division players of the gold market. The five hold 590m ounces between them, more than half the total holdings of the official sector. Even if these countries wanted to sell gold, they are assumed to be trapped in a "prisoner's dilemma", each unable to sell significant quantities without undermining the price and incurring the wrath of the others. But if the market is expecting further sales, and the price is sliding anyway, this argument may hold less force.

Dale Henderson, an economist at the US Federal Reserve, has argued that everyone would be better off if all official stocks were sold. Why, he asks, should the private sector waste money digging expensive gold out of the ground, when central banks could provide it more cheaply and hold interest-earning assets instead?

The cold economic arguments for selling gold appeal at a time when central banks are under pressure to provide revenue for their finance ministries. They are supported by a broader strategic argument: continuing a trend that began after Iraq invaded Kuwait in 1990, gold appears to have lost its traditional function as a safe haven in times of political and economic uncertainty. The gold price rose relatively little when China fired missiles into the sea off Taiwan in 1996 and it has not benefited from recent stockmarket turmoil.

"This has been the year in which central bankers have signalled that gold no longer holds a privileged position among their reserves," says Martin Fraenkel, managing director of Chase Manhattan's global commodities group in London. "The new generation of central bankers simply does not think of gold in the same way as their predecessors."

But are the young whippersnappers shedding the misguided sentimentality of earlier generations? Or are they forgetting the good returns and security gold has provided in times of high inflation and low real interest rates? The debate on these issues will be played out over the next few months, as Europeans determine the role gold will play in their new central bank.

Opinions are divided, both among and within central banks. The younger generation, including some in the Bundesbank, share Mr Henderson's view that "if you are trying to be a modern, forward-looking central bank, you would best leave gold out of it". Traditionalists counter that gold reserves are essential to establish the credibility of what will be an unfamiliar and untested institution.

Central bankers expect a compromise to be reached by the middle of next year, with the European Central Bank to hold perhaps 10 per cent of its reserves in gold, against an average 31 per cent for existing European Union central banks. Anything less than this and the market is likely to take fright again, asking itself whether the periodic rumours that the big five might sell gold are about to become a reality.

FINANCIAL TIMES
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Friday November 21 1997

Europe isn't working

Today, Europe's leaders will conclude the European Jobs Summit. There will doubtless be enthusiastic statements about how the principles agreed will tackle Europe's biggest headache, high unemployment. The reality does not match up to these lofty aims. But it is too soon to write the summit off altogether.

Europe's employment record is dismal. The proportion of the labour force out of work has exceeded 10 per cent for nearly five years. This is not just worrying for individual countries. Europe's labour market rigidities may also lead to tension within economic and monetary union, as a single monetary policy could lead to widely diverging employment rates between Emu countries – and social and political pressures – if labour markets are too inflexible.

The importance of tackling unemployment is not in doubt. What is open to debate is whether the guidelines being discussed by Europe's leaders are the the right way to go about reform, and whether their agreement today will help governments to overcome the formidable political obstacles to change.

The guidelines, prepared by the European Commission, contain soma useful ideas. The intention to improve Europe's venture capital markets, for example, and the emphasis on more active labour market policies, such as provision of training to the long-term unemployed, are both welcome.

Some other measures appear misguided. The Commission suggests that member states should reduce the tax burden on labour, increasing other taxes to make up the loss. This misunderstands how the incidence of tax falls. Most taxes eventually fall on employees' income in some way. Shifting the burden of taxation around cannot significantly reduce the "tax wedge" between real pre-tax wage costs and post-tax pay. Only a reduction in the overall tax burden can achieve this.

The fundamental problem is that EU-wide guidelines cannot tackle the root causes of unemployment. Many of the changes needed are too controversial to be agreed at intergovernmental level, even if it were desirable that they should be.

The EU as a whole is most unlikely, for example, to be able to agree on how to scale down the welfare state. Furthermore, the causes of European unemployment are extremely varied. Any attempt to produce a policy to fit all countries must fail.

So the summit will not solve Europe's unemployment problem. But it could still produce some useful results. First, the existence of an EU-wide agreement on labour market reform could make it politically easier for individual governments to introduce unpopular measures.

Second, the summit may be helpful in promoting comparisons between different members' labour markets. Europe contains a profusion of different employment policies, which have been applied with varying degrees of success. There is plenty of scope for members to learn from each other.

In the end, though, Europe's unemployment problem can only be solved by the private sector and alleviated by individual member governments. If the summit nudges them in the right direction, wa should not sneer at it.

Gravy probe

Over the past 20 years most standard activities in banking and securities markets have seen inexorable shrinkage in margins. Not so new equity issues. US investment bankers' fees in the primary market remain astonishingly fat. And in the UK, sub-underwriters are able to earn the same 1¼ per cent fee that they enjoyed in the 1960s on many of today's issues. Small wonder that the Director General of Fair Trading has decided to make a reference to the Monopolies and Mergers Commission.

This is, admittedly, a cartel with no smoke-filled rooms. There is something curious, too, about the inability of underwriters to offer a more robust response, in the way of competitive tendering, after being put on notice by the OFT that a reference would coma in the absence of more flexibility and competition.

Yet there can be no denying the cosiness of the cartel. A recent study suggested that an imbalance in risk and reward in underwriting had delivered excess profits of £490m between 1986 and 1994. The question is how, in otherwise very competitive capital markets, this gravy train has survived so long.

The British issuing system certainly favours the big battalions. Provided they take the occasional dud issue onto their books, the larger institutions are rewarded by brokers with an ample share of almost riskless underwriting. They have also seen the system as a way of protecting the principle of pre-emption, whereby existing shareholders are protected from the dilution inherent in offering shares to new investors at a discount. This principle cannot now escape MMC scrutiny.

The quiescent attitude of companies, which suffer a higher cost of capital, is harder to understand. The existence of such high excess profits should encourage them to make issues at deep discounts to avoid underwriting fees. Yet few have been prepared to do so. This reluctance is doubly surprising given that their own investment bank is usually the lead underwriter, and thus involved in a potential conflict of interest.

Perhaps there is something genuinely peculiar about the primary market structure that justifies all those excess profits. But when so much else in financial markets is fiercely negotiated and squeezed, that seems unlikely. The OFT was rightly concerned for the public interest.

Mugabe's folly

Zimbabwe is in trouble, and its president is in a bind. The Harare stock exchange yesterday recorded its biggest fall in a single day, and Robert Mugabe is largely to blame. His plans to nationalise nearly half the country's white-owned farms, and to pay $275m in pensions to veterans of the independence struggle – money the government does not have – have unsettled investors.

In the past, Mr Mugabe held his hand in the face of warnings about the damage a land grab would do to investor confidence, aid flows, and commercial agriculture. This time his credibility is at stake: if he does not deliver, be could face rebellion in his ruling Zanu party. If he does, the impact on the economy could be devastating.

Zimbabwe's budget deficit is already 9 per cent of GDP, and investors fear that the government will not only be tempted to horrow money to pay the veterans, but also to expropriate farms without fair compensation. An IMF team left Harare this week making clear that it expected the government to cut spending and raise additional taxes to finance the war veteran compensation package.

Bnt the land issue remains unresolved. Owners of some 1,770 farms were told this week that their properties would be compulsorily acquired. Yet the government has no funds to do so, nor a credibla plan for resettling peasants on to the white farms.

It is beyond dispute that Mr Mugabe needs to deliver his social agenda – especially resettlement. One third of Zimbabwe remains in the hands of 4,000 white farmers, whila 8m black smallholders and their families are crowded on to the same amount of space. Real incomes are barely higher than when he took office in 1980, unemployment has trebled, and per capita spending on education is lower than in the mid-1980s.

While the case for a more equitable racial pattern of land ownership is compelling, it is dabatable whether President Mugabe's government has the capacity or probity to implement such a programme. Past land transfers, recent public sector contracts and pension payments to war veterans have all been characterised by cronyism and worse. Mr Mugabe should heed the message of the market and rethink his land policy. Only a clear and deliverable commitment to fair compensation will restore confidence in his government.

Legacy of a reformer

Chrystia Freeland looks beyond the downfall of Anatoly Chubais and argues that Russia's fragile market economy will survive him

The timing could hardly have heen worse. The architect of Russia's reforms has lost his power base less than a month after the collapse of the stock market. The downfall of Anatoly Chubais – and that of his closest allies – also comes soon after an emergency increase of interest rates to protect the rouble and just at a time when communists in parliament had been seeking to wreck next year's budget. So why isn't everybody panicking?

Perhaps they should be. Yesterday, Mr Chubais lost his job as financa minister. Although he retains his post as first deputy prime minister, he is now without any real power. Mr Chubais had not only designed Russia's privatisation programme, he had pushed it through a relnctant parliament. He understood both how global markets worked, and also how they required Russia to change. Above all, he not only understood bow important Boris Yeltsin was to the reform programme, he ran tha president's successful re-election campaign last year.

For Mr Cbnbais himself, the humiliation has a ring of pathos. By Russian standards, the cause of his downfall – a $450,000 book contract from a publisher partly owned by a man who has done well from privatisation – seems trivial. Mr Chubais is being held to higher standards than others partly because of his own crusading passion to bring the rule of law to the economy.

For the country as a whole, the implications look deeply worrying. The accusations have apparently been orchestrated by a coterie of bankers opposed to his liberalisation policies. Two or three years ago, his downfall would probably have spelled the end of his reforms and, even now, many remain deeply pessimistic.

"The impact on foreign investors will be devastating, especially to begin with," says Anders Aslund, a senior associate at the Carnegie Endowment in Washington and a long-time adviser to Russia's economic reformers. "To direct such a strong blow at Chubais at a time of very unsure world markets is totally impermissible."

Many investors fear that worse is to come. The fall in the stock markets has hurt many Russian banks, which moved into equities at the top of the market boom that Moscow has experienced this year.

The interest rate rise has put further pressure on Moscow's already strained public finances. Foreigners must notify the government one month before pulling out of the treasury bill market, so over the next few weeks Russia may face an exodus of foreign cash. That, combined with the shakiness of local banks, could be a further strain on the already wobbly currency.

Most damaging of all, the increase in domestic interest rates and the chillier investment climate worldwide could well thwart the Kremlin's hopes that 1998 would at last be the year when Russia began to climb out of its decade-long economic depression. Taken together, these factors have dented the optimism even of some of Russia's most committed investors.

"I'm not bullish for the first time in a long time," concedes Boris Jordan, a co-founder of Renaissance Capital and one of the pioneers of Russia's capital markets. "If the world market stabilises and starts to recover – say, in December or January – then I do not think it will be such a big issue for Russia. But the real problem is if it continnes for another three months. Then you will have significant pressure. Russia is very fragile."

This hrewing financial crisis has heightened the risks of this week's dismissals. Even his fiercest rivals acknowledge that Mr Chubais is Russia's most talented administrator. An official at e western financial institution goes much further, routinely describing Russia's arch-reformer as "a demi-god". For tbis reason, some Russia-watchers fear that the attack on Mr Cbubais could seriously damage the economy.

Yet that does not appear to be the view of most investors. In spite of the turmoil in the Kremlin, the Russian stock market actually rose slightly this week. This calm reaction may seem a stingy repayment for all the work Mr Chubais has done to speed Russia's transition to capitalism. But, in fact, the relative complacency of the markets is a sign of how effectively Mr Chubais has accomplished his mission.

"Actually, this is very good for reforms," argues Sergei Markov, e professor of political science at Moscow State University. "It shows that reforms can survive political conflicts. The main father of reforms bas been severely weakened, but his team is being replaced by other reformers. This shows that Chubais's ideas, his policies, have become greater than the man himself."

Althongh Mr Chnbais's team has been dismantled and, in political terms, Mr Chubais himself appears to have been neutered, his reforms seem likely to live on. Both Mr Yeltsin and Victor Chernomyrdin, the Russian premier, have taken great pains to show they are repudiating individual politicians and not their policies.

Mr Chernomyrdin made the point directly, insisting this week that "one or two sackings cannot change the course of the government". Indeed, Mr Yeltsin is not replacing the disgraced Chubais team with opponents of reform. Yesterday he appointed Mikhail Zadornov, a highly respected economist and committed reformer, to Mr Chnbais's old job.

"The appointment [of Zadornov] means that Yeltsin is very angry at Chubais, but is very concerned about the continuation of reforms," Mr Markov says. "He wants to reassure businessmen, so he is appointing a man with e personal reputation as a reformer. Yeltsin wants to weaken Chubais, hut allow his ideas to continue working."

Just a few years ago, many Russian leaders were convinced that printing roubles was a sound way to stimulate the moribund factories inherited from the Soviet era, and much of the political elite openly distrusted privatisation. Today, Mr Chubais has succeeded in converting the Russian establishment – et least in theory – to the virtues of fiscal discipline and the sanctity of private property.

The Russian government has gone so far in its pursuit of fiscal probity that even the cold judges of the International Monetary Fund have been borrified: rather than turning on the printing presses, tbe Kremlin has responded to budgetary shortfalls by simply not paying salaries and pensions. And as for private property, in the words of one exultant cabinet minister speaking before this week's turmoil, "even the communists no longer cballenge privatisation. This is our greatest achievement."

"One of Chubais's achievements has been to entrench a policy agenda which has become extremely well assimilated," argues Christopher Granville, director of research at United City Bank. "I think the policy continuity is assured."

An important source of Mr Granville's confidence is tbe extent to which tbe Russian economy is beginning to respond to the rules of the market painstakingly introduced by Mr Chubais over the past six years. The transfer of more than 80 per cent of the economy at least partially into private hands is starting to have an effect.

To be sure, many more enterprises are still in the hands of old-style Soviet manegers and "new Russians" whose only goal is short-term asset stripping. But a few industrial barons are beginning to retool their companies with an eye to the future.

This week offered dramatic proof that new-style corporate thinking is taking hold, as western companies formed two major strategic alliances in Russia, with Royal Dutch/Sbell pairing off with Gazprom, Russia's natural gas titan, and Britisb Petroleum teaming up witb Sidanco, tbe country's fourth largest oil producer.

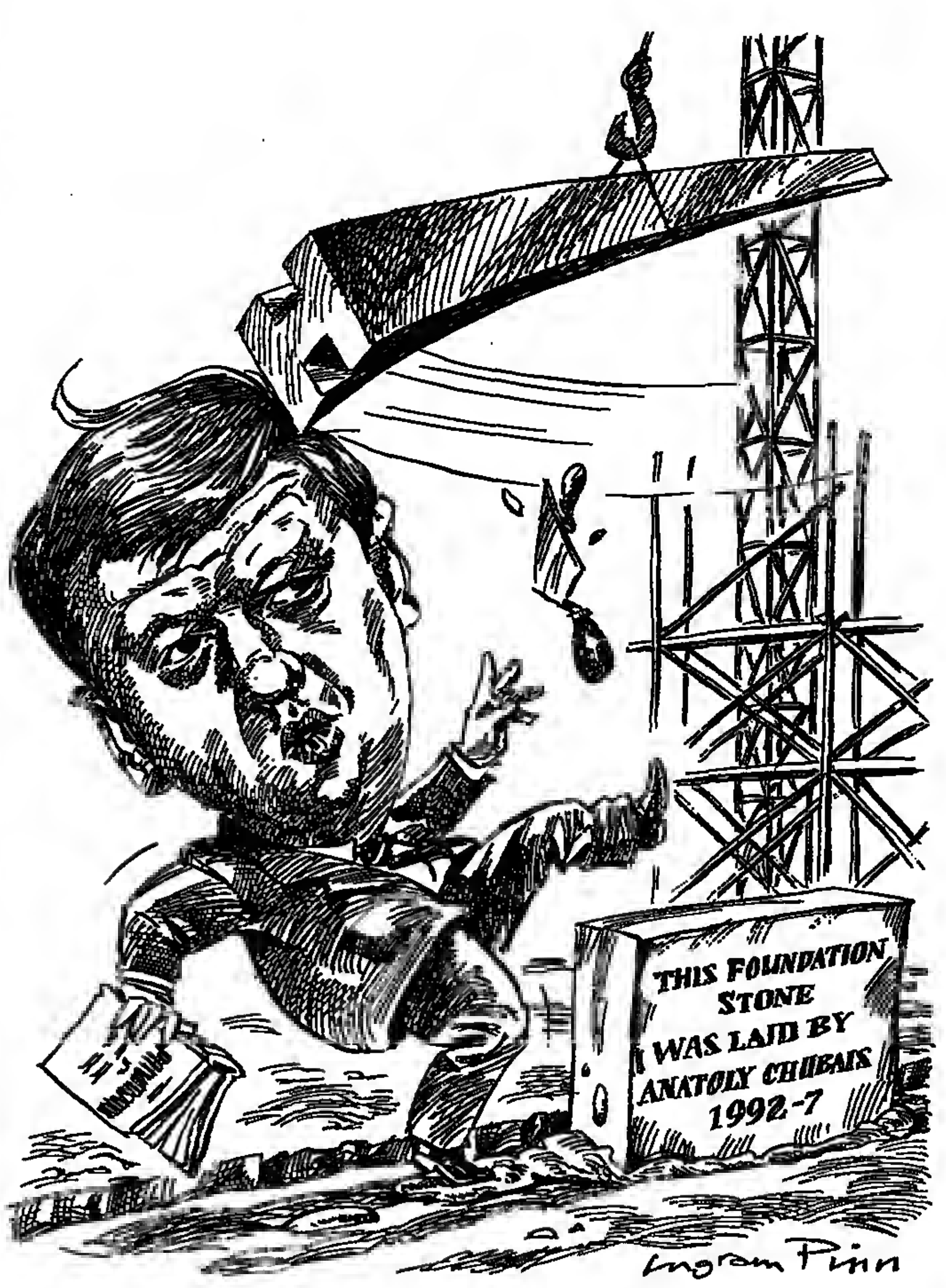
Tbese partnerships, and tbe multi-million dollar direct investment tbey will bring, are an important sign that deep structural changes are altering the corporate landscape.

But to build the fair and open market economy that Mr Yeltsin says he wants, the Russian government must still implement many difficult reforms. The overarching goal of this second wave of change must be to sever the connections between the state and Russia's rohher barons, thereby creating an open and competitive economy in which the stunted small business sector can flourish.

As they pursne this second cycle of transition, ministers will surely miss the iron will and administrative genius that Mr Chubais may now be too weak too provide. But perhaps the first, messier stage of Russian reforms had already disqualified Mr Cbubais from being the leader of this second revolntion. To entrench private property in Russia and to ensure the defeat of the communists in last year's presidential ballot, Mr Chubais was forced to sup with Russia's new Rockefellers, handing them the crown jewels of the economy at knock-down prices in exchange for political support.

The former finance minister's travails this week are the price of that deal: both because he is being attacked by some bankers who feel they have been betrayed, but also because, somewhere along the line, he began to play by the bent rules of his new-found allies.

Mr Chubais will go down in the history books as the father of Russian capitalism, thougb he has been disfigured by its difficult birth. Now it has been born, investors and politicians are crossing their fingers – hoping that Russia's infant market economy is sturdy enough to thrive in tbe care of new guardians.



· OBSERVER ·

Tang tests the water

■ Coca-Cola, McDonald's, Ford, Visa, Johnnie Walker – and maybe one day Shanghai Tang. Today Hong Kong tycoon and socialite David Tang launches his bid to create the first global Chinese brand by opening a glitzy Shanghai Tang store in the most fashionable stretch of New York's swanky Madison Avenue.

The first Shanghai Tang opened three years ago in Hong Kong, offering an irreverent fusion of traditional Chinese designs with 21st century style – like Mao jackets in fluorescent lime green. It's been a success, but will the concept travel?

Tang, a flamboyant figure constantly wreathed in the smoke from his Cohiba cigars, can count on the support of the rich and famous, with whom he assiduously mixes. Even so, he admits it's a gamble. "It's like an alien landing in the middle of Madison Avenue," he says. He wants to "take advantage of the wider knowledge and acceptance of China and things Chinese, and smuggle myself into the mainstream of the branding business".

If all goes well, Tang plans to roll the brand out around the world, and is doing everything to improve his chances. The star-studded opening festivities in the Big Apple start at 6.18 pm. "It's a very lucky number," Tang explains. "It means certain to be forever prosperous."

Vogel's bolthole

■ Dieter Vogel has had better years. First, the head of German industrial group Thyssen was rattled by a hostile takeover bid from the smaller Krupp-Hoesch. Then the Berlin prosecutor's office decided to reopen an old investigation into alleged wrongdoings by Thyssen in eastern Germany. Now Vogel might lose his job altogether.

Thyssen and Krupp are putting the final touches to an agreed merger – the price Thyssen paid for Krupp ditching its hostile bid – and will have to decide who's going to head the new company.

Krupp boss Gerhard Cromme has been selling himself as the face of a new era in corporate Germany – cooking up the hostile takeover for Thyssen created a splash in the normally tranquil German pond. He's keen to talk about new-fangled concepts like shareholder value and is more media-friendly than the austere Vogel, who doesn't see why he or his company should explain themselves to pesky journalists.

Vogel is now being touted as possible successor to Jürgen Richter, the chairman of Axel Springer Verlag, who's bailing out of Germany's biggest newspaper publisher. Vogel's no publishing tyro – he once worked for media group Bertelsmann, where he's on the supervisory board.

Bumpy flight

■ A recent flying visit to New York is causing a spot of turbulence for Swedish prime minister Göran Persson. The burly premier has been battling a headwind since newspapers revealed that the trip cost taxpayers a cool $150,000.

Persson's government aircraft was being serviced, so he chartered a Swiss jet, and took his wife and four children along – he extended the visit to include a weekend sightseeing in New York, one factor in the sky-high bill.

Already unnerved by his dismal popularity ratings less than a year before a general election, Persson admitted that the cost was "grotesquely high" and promised to investigate.

Maybe the profligate premier should read He Who Is In Debt Can Never Be Free, a book published this week by the man who spearheaded the toughest austerity programme in Swedish history. "You must take care of every last krona," is one piece of good advice. The author is a former finance minister, name of Göran Persson.

Line judge

■ Israeli MP Avraham Poraz is trying to make qneue-jumping a crime, punishable by three months in jail. It sounds like a terrible waste of a legislature's time unless you've experienced the violent pushing and shoving at Israeli bus stops, supermarkets, cinemas and airports – even in the aircraft themselves. A visitor's first experience of the country is often being barged aside at passport control.

The orderly queue to support the bill is expected to be overrun by the scrum to oppose it.

Tour de force

■ Some of the loud bangs in Phnom Penh aren't being made by backers of Cambodia's rival co-presidents trying to shoot each other – that's mainly a rural pursuit. Apparently a film crew is making a commercial to lure foreign tourists.

The first scene will feature western tourists riding in rickshaws as a house and car explode behind them. It's supposed to convey the message that the bad times are in the past, not that tourists spend their holidays fleeing them.

The Financial Times

50 years ago

French Premier Chosen
Paris, 20th Nov. M. Vincent-Auriol, President of the Republic, to-night designated former Premier M. Leon Blum as the new Prime Minister. His appointment is subject to the vote of an absolute majority in the National Assembly – this means 308 votes in his favour. The voting will take place tomorrow afternoon, and the new Cabinet may be formed within the next 24 hours. Whether M. Leon Blum, who, in spite of his poor health, has accepted the Premiership, will be able to assemble an absolute majority is still qnestionable. If he fails, the office of Prime Minister would probably be offered to a radical, probably M. Edouard Herriot, former Prime Minister.

Lira May Be Revalued
Rome, 20th Nov. In financial quarters here it is rumoured that the Government will shortly announce new exchange rates for the dollar and sterling. The dollar rate suggested is 500 lire and the pound sterling rate 2,000. On the Milan black market today sterling was offered at 1,400, or 11 lire below the present official rate of 1,411. The sterling export rate has likewise touched a new low level lately, but rallied today, closing at 1,928.

FINANCIAL TIMES
Friday November 21 1997

Asian imports drive up US trade deficit by 17%

By Mark Suzman in Washington

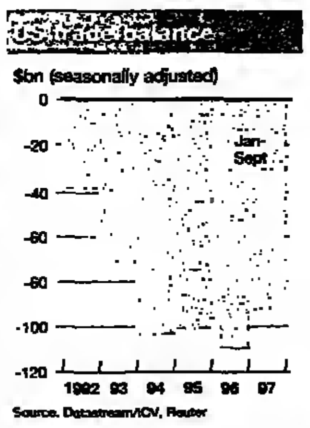
The US trade deficit rose 17 per cent to $11.1bn in September compared with August, fuelled by higher imports from Asia.

The figures are seen by analysts as the latest signal that the trade gap with the region will grow rapidly as a result of the Asian financial crisis.

Total US exports of goods and services were down 0.7 per cent on the month to $78bn, according to the Commerce Department, while imports rose 1.2 per cent to a record $89.1bn. That greater-than-expected increase brought the trade deficit to its highest level since January. The August deficit was revised down to $9.5bn from $10.4bn.

The figures come just ahead of this weekend's Asia Pacific Economic Conference in Vancouver where President Bill Clinton and Asian leaders will discuss how best to deal with the region's financial problems. The US is concerned that Asian countries will try to boost exports to improve their economic prospects, while buying less from the US as Asian growth slows and currencies are devalued.

US trade balance



Source: Datastream/ICV, Reuter

The real effects of the Asian crisis are not expected to be fully reflected in trade patterns until at least the middle of next year; the deficit increase this time was primarily attributable to the continued strength of the dollar in recent months, analysts said.

The overall rise in imports, which was mainly in consumer goods, partly reflected stocking up for the holiday season.

The combined deficit with Hong Kong, South Korea, Singapore and Taiwan doubled between August and September to $2bn, due primarily to rising computer imports. The deficit with South Korea alone was up from a negligible $31m to $408m, with seasonal factors playing a part.

The deficit with China rose to $5.5bn against $5.2bn in August and $4.7bn in the same month last year. The deficit with Japan was $5.1bn compared with $4.5bn the previous month and $3.8bn last September. William Daley, US commerce secretary, said the gaps with China and Japan were particularly "problematic".

He said the US would continue to push China to open its market to US goods, but attempts to narrow the Japanese deficit were being hampered by the weak yen.

Overall, the goods deficit rose $1.6bn to $18.1bn, as exports dropped slightly to $56.5bn and imports rose to $74.7bn, up from $73.9bn. By contrast, the services surplus was virtually unchanged at $7.1bn, as exports rose from $21.3bn to $21.5bn and imports increased to $14.4bn.

Currencies, Page 23

Ecuador 'damaged' by delays in telecom sell-off

By Justine Newsome in Quito

Ecuador's leading privatisation body yesterday admitted that the latest suspension of its first large sell-off had damaged the country's reputation.

The sale of Emetel, the state telecommunications company, was suspended on Wednesday when the Spanish group Telefónica, one of two apparently certain bidders, decided not to participate. With only Italy's Stet prepared to enter a bid there would have been no competition.

"The damage to the country is irreparable," said Rodrigo Paz, president of state modernisation council, Conam.

Ian Campbell, chief economist for emerging markets at ABN Amro bank in Amsterdam, added: "The sale of Emetel was seen as very positive for Ecuador earlier this year. This will affect foreign investors' general estimate of Ecuador. It has been a country which has lagged on economic reform and again it has not got something done."

The date for the auction of 35 per cent of Emetel, set to raise a minimum $638m, had been repeatedly postponed in the past two years. Xavier Calvo, investment officer at the International Finance Corporation, the World Bank's investment arm, said: "It is simply a delay which can be resolved between now and February. Fundamentally there is interest."

However, his colleague Bruno Navarro added that if the sale was not completed by March it would not take place until after the presidential elections and a new government took office in August.

That delay, said Mr Campbell, could hamper the process. "With elections next year, it will be difficult to sort all this out as the political temperature rises."

Even the constitutionality of Ecuador's privatisation process has been called into donbt. The Supreme Constitutional Tribunal recently ruled parts of an electricity sector privatisation law unconstitutional. Even though a similar claim for the telecommunications sector was thrown out, it added another element of uncertainty.

The sale may also have been held up by lack of data. "The main factor stopping bids was a lack of good primary information," says Jay Juliani, manager of structured finance at ABN Amro in Quito.

The financial statements of Andinatel and Pacifictel, the two companies into which Emetel had been divided, were only made available to potential bidders this week.

Malaysian woes deepen

Continued from Page 1

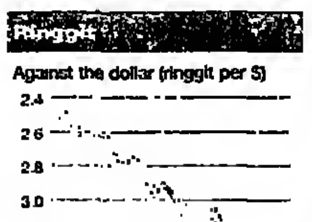
from a deal this week in which UEM, a blue-chip road toll operator, paid M$2.4bn for a stake in its debt-ridden parent, Renong, an infrastructure company which in effect is controlled by the ruling hierarchy.

The concern of stock market investors is partly that channeling funds into ailing businesses is both risky and unproductive. They are also concerned at the lack of transparency in both deals and the fact that, in the Renong acquisition, authorities waived stock exchange rules.

"When laws are put aside, the interests of minority shareholders are sacrificed," said the head of research at a brokerage in Kuala Lumpur.

The stock exchange's main index shed 11.08 per cent, dropping 66.87 poiots to 536.62 – its lowest since 1991. The ringgit fell throogb the barrier of M$3.50 to the US dollar, touching a record low of M$3.53.

Ringgit



Source: Datastream/ICV

US denies making concessions to end Iraq weapons crisis

By Laura Silber in New York and Bruce Clark in Washington

Iraq yesterday declared an end to the crisis over United Nations weapons inspections. It will allow the full UN inspection team – including its American members – back into the country from today.

At the same time, the US played down Iraqi suggestions that there had been concessions to Baghdad.

Nizar Hamdoon, Iraq's ambassador to the UN, said: "The crisis is over." In a letter to the UN Security Council, he said the Iraqi government would allow the UN team to resume its work from today.

In Washington, President Bill Clinton said the US was "resolute" in insisting Iraq comply fully with UN demands and it remained to be seen whether President Saddam Hussein would allow inspectors full access. "The United States must remain, and will remain, resolute in our determination to prevent him from threatening his neighbours," Mr Clinton said.

The White House insisted that the return of the inspectors was unconditional and that it was not bound by any deal between Russia and Iraq to end the 23-day-old crisis, provoked when Iraq ordered the expulsion of American UN inspectors, accusing them of espionage. The UN last Friday pulled out all but a skeleton crew of seven inspectors.

The White House said the US would be prepared to veto any Russian proposal for easing the conditions under which sanctions against Iraq could be lifted.

Oil prices hit a two-month low as traders assessed the impact of an end to the confrontation. Brent Blend for January delivery, the North Sea crude which serves as an international price bellwether, fell to $18.80 a barrel in early London trading, 38 cents down on Wednesday's close. It later recovered to around $18.91 a barrel because of uncertainty about the details of the deal.

At the UN, Mr Hamdoon credited Russian involvement at the "highest levels", denying that the American military build-up in the Gulf had played a role in Iraq'e decision to back down.

He said Russia was committed to speed up the work of the UN disarmament commission which would pave the way for lifting sanctions, in force since Iraq invaded Kuwait in August 1990. He said Iraq was now satisfied it had received a "better bearing all over the world" of its grievances about the inspection programme.

Commodities, Page 24

THE LEX COLUMN

Renong pong

Rumours of a run on banks are baseless. No, the government is not taking over the Bakun hydroelectric project in order to bail out Ekran. Nor is it behind the Renong share purchase, suspiciously resemblant of a bail-out. That, at least, is the official version of events in Malaysia yesterday. But is it possible that officials protest too much? The fact is that the answer hardly matters. Many investors now take government denials as prima facie evidence of the contrary: witness the 11 per cent fall in the stock market yesterday, matched by the currency's drop to a record low.

FTSE Eurotop 300 index
938.6 (+16.5)

Malaysia

Source: Datastream/ICV

The Renong and Bakun episodes are troubling for two reasons. First, they reek of the sort of crony-capitalism and opaque market practices that suggest the government is more concerned with helping its friends than achieving an equitable environment for all. Second, they make it clear that Malaysia has still to take the first step towards restoring economic health: admitting it has problems.

These are not in the same league as Thailand's and South Korea's, if only because Malaysia's banking system is much sounder. But the country needs to grasp the nettles of sagging labour productivity and a high current account deficit. The looming economic slowdown, aggravated by a property glut, will certainly cause pain. The government's denial attitude leaves it ill-suited to meet these challenges. And when the pain arrives, prime minister Mahathir Mohamad's outspoken criticism of the West may return to haunt him.

Goldman Sachs

Oscar Wilde said he could resist anything but temptation. So far, Goldman Sachs' 200 partners have resisted even that. But global consolidation of the financial services industry is putting pressure on Wall Street's largest partnership to sell out. This week's acquisition of Mercury Asset Management by Merrill Lynch is a case in point: Merrill paid $5.2bn in cash – nearly the entire capital base provided by Goldman partners. Goldman not only looks smaller following this year's mergers of Morgan Stanley/Dean Witter and Salomon/Smith Barney but it lacks the retail network Merrill, and now they, enjoy.

The financial gains from selling out are rising. When Goldman partners retire, they are bought out at book value. Thanks to spiralling demand for investment banking assets, they would receive at least three times book if Goldman were sold tomorrow.

Nevertheless, the firm has proved reassuringly rapid in adjusting to new opportunities like syndicated loans and it still leads the pack in equity underwriting and mergers. Its strong, cohesive culture is an asset that would be damaged if it sold out. Moreover, worries that it lacks its own distribution network are exaggerated. It may find it slightly harder over time to use the distribution networks of Merrill, Dean Witter and Smith Barney; but new forms of distribution, such as discount brokerages and the internet, are mushrooming. Goldman partners should stick to their guns.

UK underwriting

The referral of underwriting practices to the Monopolies and Mergers Commission provides hope that light will be shed on the dark arts of corporate money-raising. Despite efforts by the old sub-underwriting cartel to reform itself, the standard 2 per cent fee was charged in over half all recent rights issues. As tendered sub-underwriting has been shown to be cheaper than wholly underwritten issues, capital will be allocated efficiently only once underwriting fees are determined competitively. The MMC should also recommend that companies split the roles of financial adviser and lead underwriter. This is a conflict of interest. One reason why there are so few deep-discounted rights issues is that there are few if any underwriting fees.

Although only underwriting practices have been referred to the MMC, it should also take the opportunity to examine whether the pre-emption rights system is excessively restrictive. Offering new equity only to existing shareholders sometimes makes sense. But it can also be advantageous to market shares to a broader range of investors. The act of marketing equity can not only ensure that those who really want the shares end up with them but also puts companies under greater pressure to justify their need for capital. The MMC should not seek a "one size fits all" solution, but should seek to establish a system that gives companies the freedom to raise money by whichever method is most rewarding for their shareholders.

UniChem

It looks as though Kenneth Clarke, the former Tory chancellor, will play on the European stage after all – though via a company he chairs rather than politics. With 33 per cent of the UK drugs wholesaling market, UniChem needed to break out. Beaten in the auction of retailer Lloyds Chemists, it has rightly accelerated its ambition to expand as a wholesaler in Europe. It has done so in one big, bold move – trebling sales and virtually doubling operating profits. The merger with Alliance Santé carries some risk of stretching management and financial resources too thinly, but the rewards look tantalising.

While talk of pan-European strategies can sound vague, in this case the logic should stack up. Alliance UniChem should gain both from pharmaceutical manufacturers contracting out more of their distribution and from increasing cross-border trade as drug variants are pared down. It should also be able to accelerate the rationalisation of its partner's depots in France and Italy, though such cutting could provide a stiff management test.

Having Stefano Pessina and his colleagues on the board should ease the cultural issues, so long as they buy into UniChem's more Anglo-Saxon approach to efficiency. There are, of course, worries that Mr Pessina's 37 per cent stake – and 25 per cent voting rights – could give him effective control and block initiatives of value to minority shareholders. But so far he seems just as keen on making money as anybody else.

Additional Lex on Allied Colloids, Page 20

FT WEATHER GUIDE

Europe today

Scandinavia will be mostly dry, except for the far south where there will be some rain, and north-east Finland, which will have some sleet or snow.

Most of eastern Europe will be dry, but the Black Sea will be wet.

Central and western Europe will have a mixture of sunny spells and showers. The Iberian peninsula will become cloudy, with heavy rain and thunderstorms in the south and west.

Italy will have sunshine and showers but the far south will stay dry.

Greece and the eastern Mediterranean will also be showery with isolated thunderstorms.

Five-day forecast

Heavy rain and thunderstorms over the Iberian peninsula will reach the eastern Mediterranean by next week. Scandinavia and much of eastern Europe will become dry but cold with sub-zero temperatures. Rain will slowly spread across north-west Europe after the weekend.

TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum Celsius										
		Beijing	Sun 7	Cardiff	Shower 11	Frankfurt	Shower 8	Madrid	Drzzl 13	Rangoon	Thunder 33
		Belfast	Shower 9	Casablanca	Rain 19	Geneva	Shower 10	Majorca	Shower 16	Reykjavik	Shower 9
Abu Dhabi	Fair 27	Belgrade	Fair 5	Chicago	Fair 5	Gibraltar	Shower 19	Malta	Fair 20	Rio	Thunder 25
Accra	Sun 31	Berlin	Cloudy 4	Cologne	Shower 10	Glasgow	Shower 11	Manchester	Shower 11	Rome	Shower 15
Algiers	Shower 23	Bermuda	Fair 23	Dakar	Sun 30	Hamburg	Rain 6	Manila	Fair 30	S. Frsco	Sun 18
Amsterdam	Shower 11	Bogota	Thunder 18	Dallas	Sun 19	Helsinki	Cloudy 0	Melbourne	Sun 31	Seoul	Drzzl 13
Athens	Thunder 20	Bombay	Sun 34	Delhi	Sun 24	Hong Kong	Fair 24	Mexico City	Fair 23	Singapore	Thunder 31
Atlanta	Rain 17	Brussels	Shower 9	Dubai	Fair 28	Honolulu	Fair 26	Miami	Fair 28	Stockholm	Cloudy 3
B. Aires	Fair 24	Budapest	Fair 4	Dublin	Shower 10	Istanbul	Thunder 16	Milan	Rain 10	Strasbourg	Fair 10
B.ham	Fair 11	C.hagen	Shower 5	Dubrovnik	Fair 14	Jakarta	Thunder 32	Montreal	Sleet 2	Sydney	Fair 24
Bangkok	Fair 34	Cairo	Fair 28	Edinburgh	Shower 11	Jersey	Shower 12	Moscow	Snow -1	Tangier	Rain 19
Barcelona	Fair 17	Caracas	Fair 31	Faro	Fair 18	Johannesburg	Sun 24	Munich	Cloudy 8	Tel Aviv	Fair 27
						Karachi	Fair 31	Nairobi	Thunder 26	Tokyo	Shower 14
						Kuwait	Fair 26	Naples	Fair 15	Toronto	Sleet 3
						L. Angeles	Sun 26	Nassau	Fair 28	Vancouver	Rain 9
						Las Palmas	Fair 26	New York	Fair 5	Venice	Cloudy 9
						Lima	Cloudy 25	Nice	Shower 16	Vienna	Cloudy 2
						Lisbon	Shower 15	Nicosia	Fair 23	Warsaw	Cloudy 4
						London	Fair 12	Oslo	Shower 3	Washington	Shower 14
						Lux.bourg	Drzzl 8	Paris	Shower 9	Wellington	Cloudy 14
						Lyon	Fair 12	Perth	Shower 20	Winnipeg	Fair -6
						Madeira	Shower 21	Prague	Cloudy 3	Zurich	Fair 8

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Week 47

INSIDE

Krupp-Thyssen merger doubt

The merger of Thyssen and Krupp, the German engineering groups, had seemed assured. But rivalry between Dieter Vogel (left), Thyssen chief executive, and Gerhard Cromme (right), the head of Krupp, over who should head the new company has threatened the tie-up. Page 18

Newcourt closer to being number one
Newcourt Credit Group came closer to being the world's largest non-bank commercial financing group this week when it acquired rival AT&T Capital for $1.6bn, making it the world's second-largest non-bank lender. Page 16

U-turns at VW fuel strategy questions
Though Volkswagen had earlier denied it wanted to buy Porsche, last week it expressed interest in Rolls-Royce and this week was at the centre of rumours it might buy into Volvo and Scania, the Swedish groups, thus focusing attention on VW's long-term strategy. Page 19

Oil returns to bearish fundamentals
The bearishness of the world's oil markets came back into focus as the tension between Iraq and the UN appeared to be resolved. Page 24

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	412	+	10.5
BMW Pref	908	+	25
Holzmann	489	+	19
SAP AG	509.8	+	17.3
Wella	1285	+	58
Falls			
Herlitz	103.7	–	4.8
NEW YORK ($)			
Rises			
Comput Assoc	50¼	+	4¼
Culligan Wtr	44¾	+	4½
Nip Telegrph	42½	+	2⅞
Falls			
Hoechst Aktn	37⅞	–	3¼
PT Telekomun	14	–	2½
Philip Serv	16	–	⅞
LONDON (Pence)			
Rises			
Granada	843	+	43
Regent Inns	338½	+	26
Standard Chart	692	+	49
Falls			
Br Airways	540	–	15
Flare Group	62½	–	17
Ionica	145½	–	11
TORONTO (C$)			
Rises			
Armor Mineral	5.0	+	1.2
CF Franklin	15.5	+	1.5
Pacalta Res	20.0	+	2.25
Falls			
Cognicase	11.75	–	1.0
PLD Telekom	9.0	–	0.7
Pinnacle Res	20.25	–	1.85

PARIS (FFr)			
Rises			
Air Liquide	928	+	20
Eridania B	920	+	32
Peugeot	626	+	24
Synthelabo	743	+	23
Falls			
Danone	925	–	22
Taittinger	2830	–	120
TOKYO (Yen)			
Rises			
Asahi Glass	800	+	38
Fuji Spinning	206	+	27
Meiji Milk	368	+	35
Okuma Corp	584	+	63
Tonen	905	+	41
Falls			
Calsonic	821	–	35
HONG KONG (HK$)			
Rises			
Sime Dar HK	5.05	+	0.4
Falls			
Bank E Asia	18.15	–	0.8
Citic Pcfc	30.8	–	0.4
Hutch Whmp	49.7	–	1.3
Shanghai Ind	29.3	–	0.8
TVB	18.7	–	0.7
BANGKOK (Baht)			
Rises			
Malee Sam Fac	17.75	+	1.5
RAE	14.0	+	1.25
Thai Rubber	16.5	+	1.5
Falls			
Bangkok Fst In	33.75	–	3.75
Banpu	206.0	–	22.0
Thai Vgtble	26.25	–	2.75

New York and Toronto prices at 12.30pm.

Japanese banks in losses warning

Daiwa and IBJ plan to sell 10% of their shareholdings

By Gillian Tett in Tokyo

The Industrial Bank of Japan and Daiwa Bank, two of the country's largest groups, each said yesterday they wanted to sell about 10 per cent of their equity holdings and warned they would fall into loss this year because of massive bad debt write-offs.

The sales would reduce IBJ's equity holdings by Y300bn, ($2.4bn) and Daiwa's holdings by some Y200bn.

The announcement comes amid growing signs that Japanese banks are scrambling to unwind the huge cross-shareholdings they have traditionally held with corporate clients before "big bang" deregulation next year. This unwinding, partly triggered by the banks' need to boost their capital-to-assets ratio, is thought to be one of the main factors threatening the Japanese stock market, which has fallen sharply in recent weeks.

Daiwa and IBJ stressed they did not intend to make immediate sales while the market remained weak. They declined to indicate a timeframe.

Takeo Sekihara, director of IBJ, said: "The cutback must be done taking account of the market situation and the stability of the financial system. If the stock market is stable, we would like to reduce the shareholdings as soon as possible."

Meanwhile, IBJ admitted that if the Nikkei fell below 14,000, it would erode all the hidden profits the bank holds on these equities. The market, which has been extremely volatile in recent days, yesterday closed at 16,308.49, almost 3 per cent higher.

These "hidden" profits act as a crucial cushion for Japanese banks.

They occur because, although banks record a loss when their equity portfolio falls, they do not record a profit when the equity rises unless they sell the shares.

The comments came as both groups revealed they would record large losses this year because of massive write-offs for bad debts.

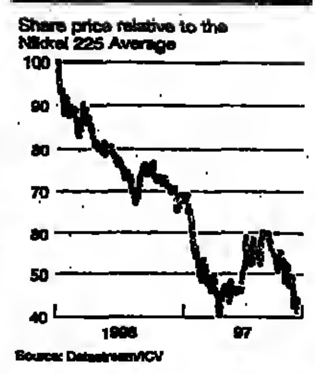
Fuji Bank and Sanwa Bank, two other big banks, also warned that write-offs would push them into loss this year.

Other banks are expected to announce similar write-offs when they declare their results in the coming days.

IBJ forecast a pre-tax loss of Y250bn in the year to March, after disposing of Y400bn worth of bad debts. It expects its capital adequacy ratio to fall to 8.5 per cent next March, from 9.13 per cent at the end of September. In the first half of the year the bank's pre-tax profit fell 64 per cent to Y22.1bn.

Daiwa said it expected to record a full-year Y90bn pre-tax loss, after making bad loan provisions of Y192bn. In the first half of the year, its profits were Y7.6bn, 46 per cent lower than the same period a year ago.

Industrial Bank of Japan



Source: Datastream/ICV

Nasdaq signs deal with MCI for faster trading

By Richard Waters in New York

The Nasdaq stock market yesterday signed an agreement for a communications system it said would enable the market to trade three times more shares in a day than the record it posted last month.

The move comes less than a month after the surge in trading volume that accompanied the rebound from the one-day fall that hit US share prices in late October. Nasdaq's trading system that day handled 1.37bn shares while the New York Stock Exchange traded 1.2bn, both records.

The deluge of orders, many from small investors who saw the market's 7 per cent drop the day before as an opportunity to buy shares, caused glitches in computer systems across the investment industry. Some brokers were unable to complete trades quickly enough, and a number of mutual fund companies had difficulty keeping up with the swing in values in their funds.

Frank Zarb, chairman of Nasdaq, said the market's systems coped well and its only problem – a temporary inability to calculate the value of the widely followed Nasdaq index – was the result of a software problem, not the volume of transactions.

The decision to increase the market's capacity reflects a belief that the steady rise in trading volumes of recent years will continue. By the middle of next year, Nasdaq should be able to handle a 2bn-share day, with the ability to double that capacity if there is demand. Further infrastructure upgrades could double that again, Mr Zarb said.

Nasdaq gave the contract, worth at least $600m, to MCI Communications, its present carrier and one of the success stories on the Nasdaq market. The only close contender was WorldCom, another Nasdaq stock and the company which appears to have won the recent bid battle for MCI.

Representatives of Nasdaq and other US stock market authorities are to meet today to discuss changes to the "circuit-breaker" systems that twice halted trading in US stocks on October 27.

World stocks, Page 34

Terra to buy ICI's fertiliser arm for up to $420m

By Daniel Green in London and Nikki Tait in Chicago

Terra Industries of Iowa is to pay up to £250m ($422m) for the UK fertiliser business of Imperial Chemical Industries, once regarded as a barometer of the UK economy

The move takes Terra, one of the largest nitrogen fertiliser producers in the US, out of north America for the first time.

It is also one of ICI's largest steps in its move from high-volume, low-profit margin bulk chemicals to more profitable speciality chemicals.

Terra said it expected the deal to enhance earnings per share next year by about 4 cents-6 cents. The company believes it will contribute more extensively in following years.

According to First Call, the research service, analysts are currently expecting earnings of around $1.52 in 1997, and an average of $1.25 in 1998.

Terra is 58 per cent-owned by the Minorco mining group, part of the Anglo-American Corporation of South Africa.

Its strategy has been to add production by acquisition, but it says there are increasingly few opportunities in the US.

It expected to use the ICI purchase to develop a more international business, it said.

"Going forward, the focus would probably be on Europe, because that's where the synergies, and so on, would be."

About 580 people at Billingham on Teesside, in north-east England, and Severnside near Bristol, in the west of the country, will transfer to Terra.

They work in plants with an annual production capacity of 1.2m tonnes of nitric acid, 1m tonnes of ammonium nitrate and 740,000 tonnes of ammonia as well as liquid carbon dioxide and sodium nitrite.

The business has about 25 per cent of the UK fertiliser market, but is a relatively small part of ICI.

Although it was loss-making at the start of the decade, average annual trading profit over the past five years has been £35m. Average turnover for the same period has been £205m. The 1996 figures were £60m and £220m respectively.

Net assets are about £52m, and ICI said the sale would give rise to e pre-tax exceptional gain of about £140m.

ICI has been trying to sell its fertiliser interests for several years.

It wants to move towards speciality chemicals, such as coatings, and materials which command higher profit margins, usually at lower volumes, than bulk chemicals such as ammonia and ammonium nitrate used in fertilisers.

In 1990, the UK Department of Trade and Industry thwarted its attempt to sell UK fertilisers to Kemira of Finland.

The objections were that Kemira already had about 20 per cent of the UK market and that it was state-owned.

Neither of these objections applies to Terra, so ICI hopes that there are no competition issues raised by the sale.

Of the industries on which ICI was founded, all that remains is a 49 per cent stake in an Irish fertiliser business and its still important chlorine operations.

Hoechst blames restructuring for 49% fall in profits to $1.7bn

By Graham Bowley in Frankfurt

Shares in Hoechst, the German pharmaceuticals and chemicals group, yesterday fell almost 7 per cent after the group reported a 49 per cent drop in pre-tax profits to DM2.9bn ($1.69bn) for the first nine months of the year.

Hoechst, which is withdrawing from the chemicals business to concentrate on pharmaceuticals and agrichemicals, said the decline was exaggerated by the impact of its restructuring last year.

However, it pledged a review of Hoechst Marion Roussel, the drug division, which reported poor sales, especially in Japan and Germany, and higher research and development costs. "Those [parts of HMR] that do not produce high enough profit margins in order to support our business are candidates to be re-examined," said Richard Markham, HMR chief executive.

On a comparable basis, group pre-tax income increased 2 per cent to DM3.2bn, Hoechst said. Group sales rose 4 per cent to DM40bn. Group operating profit fell 30 per cent to DM2.9bn but this was revised to an increase of 8 per cent to DM3.6bn after accounting for restructuring last year.

Operating profit at HMR fell by a third, or 13 per cent, on a comparable basis.

"This is fairly disappointing," said Christiane Nestroy, analyst at Vereinsbank Research in Munich. Analysts said sales of Seldane, Hoechst's allergy drug, had been especially weak. Hoechst said its drug sales had been hit by cuts in public health spending by the Japanese and German governments.

However, Klaus-Jürgen Schmieder, Hoechst chief financial officer, said HMR's operating profit in the fourth quarter was expected to be "significantly higher" than in the same period last year.

He warned that group net income would be lower for 1997 than in 1996 because of restructuring, but predicted that group operating profit on a comparable basis would be higher.

Hoechst reported a more upbeat performance for AgrEvo, its crop protection business, and for its industrial chemicals activities.

Hoechst has been one of the pace-setters in German restructuring. Jürgen Dormann, chairman, has sought to transform the group from a sprawling chemicals conglomerate into a business focused on high-margin innovative life science products.

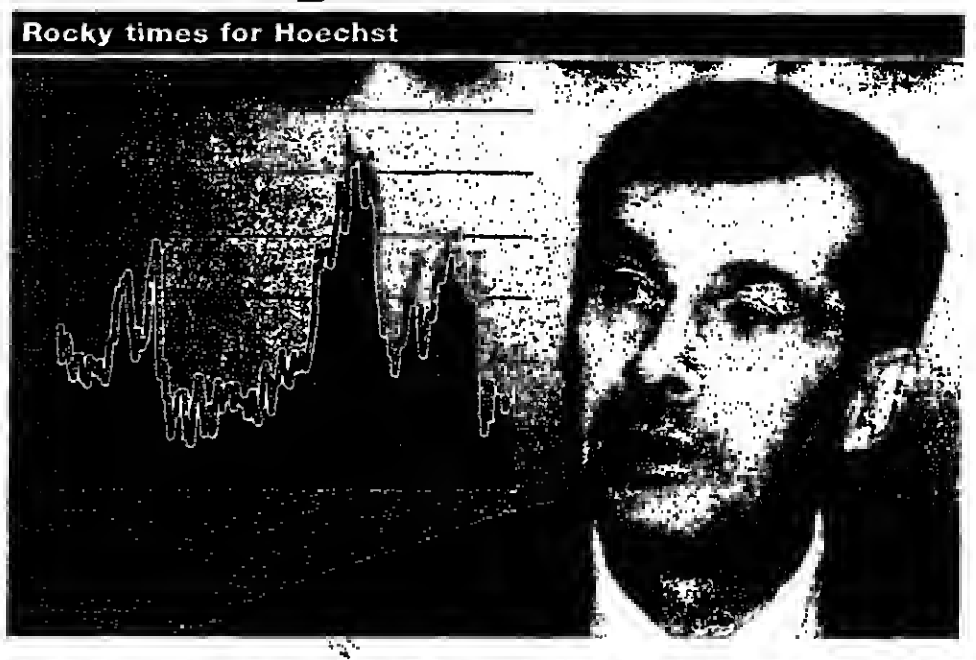
Mr Dormann has adopted a new holding structure under which the company's individual divisions have become legally independent companies operating under the strategic management of Hoechst.

Last year Hoechst spun off its speciality chemicals and polypropylene businesses into joint ventures with Clariant, the Swiss group, and BASF, the German chemicals company, respectively.

Some analysts remained optimistic about Hoechst's future. "You must realise Hoechst is still in a transition phase. In the long term it is still quite positive," said Hans Zayed, chemicals analyst at Paribas in London.

The shares fell DM4.8 to close at DM66.05 in Frankfurt.

Rocky times for Hoechst



Peregrine claims court victory over S Korean partner

Investment bank hails ruling as positive sign for investors

By John Ridding and Simon Davies in Hong Kong

Peregrine, the Hong Kong-based investment bank, yesterday claimed victory in a legal battle with its South Korean partner and said the court ruling was a positive sign for foreign investors in South Korea.

The dispute dates back to August when Peregrine's partner in a joint venture, Shindongbang Corporation, attempted to transfer its stake to Daehan Merchant Bank, a subsidiary of a highly leveraged conglomerate.

Philip Tose, Peregrine's chairman, contended that the share transfer had no validity and that, while Peregrine had no objection to a change in shareholder, any new partner would need financial strength in a market facing rapid liberalisation.

According to Peregrine, a court in Seoul yesterday ruled that the transfer of shares was never validly registered, that the joint venture between Peregrine and Shindongbang remained in place, and that share transfers were still governed by the joint venture agreement.

"This judgment will give great confidence to foreign investors in Korea," said Alan Mercer, legal counsel for Peregrine.

A corporate lawyer based in Hong Kong said the decision appeared to reflect "a very rare victory" for a foreign company in legal dispute with a Korean partner.

Even with the favourable decision, Peregrine is left with the problem of resolving its troubled partnership with Shindongbang.

"We are happy for them to leave the joint venture, but we want a strong partner," said a Peregrine official. He said the group remained committed to the Korean market, in spite of its deepening financial crisis.

Yesterday's news comes amid other developments affecting the group, including this week's news that Zurich Group would be paying US$200m for a 24 per cent stake in Peregrine.

Officials said that the deal, described as a vote of confidence, should dispel rumours that the investment bank was in financial difficulties.

Separately, a senior Peregrine executive said the group was reviewing its staff levels in the light of the crises afflicting Asian markets.

Francis Leung, group managing director, said it was "a tough time" for the industry, describing the situation as "the worst regional crisis since the second world war".

Mr Leung said jobs might have to be cut "in certain countries and product areas". But he said the scale of changes would depend on a review which is presently underway. He also expressed confidence in the group's business in greater China, its core equities activity.

Rival tops Laidlaw bid for Safety-Kleen

By Nikki Tait in Chicago

Philip Services, the Canadian waste management company, yesterday teamed with Leon Black's Apollo Advisors and the Blackstone Group, two niche investment banking businesses, to make a US$1.9bn cash offer for Safety-Kleen, the Illinois-based industrial and environmental services group.

The new offer trumps a $1.8bn hostile offer from Laidlaw, a larger Canadian waste management group, earlier this month.

The Laidlaw bid, moreover, offered only $14 a share in cash, with an additional consideration of 2.4 Laidlaw shares for each Safety-Kleen share. By contrast, the Philip deal provides shareholders with $27 in cash.

Yesterday, Ken Springer, president of Laidlaw Environmental Services, said that the company was weighing up tha situation. "There are a number of issues to consider and we'll come forward as quickly as we can," he said.

Safety-Kleen shares rose $1 3/16 to $27¼ in early trading.

Under the Philip proposal – which is backed by the Safety-Kleen board – the Canadian company and its two partners would each contribute $200m of equity to a new company which would be formed to acquire Safety-Kleen.

The remainder of the purchase price, which includes the assumption of $240m of debt, would be provided from credit facilities arranged by Chase Securities.

Philip would have a management contract to operate the new company, and half of the seats on its board. Apollo and New York-based Blackstone would share the remainder.

Philip, which analysts had touted as a rival bidder to Laidlaw, said that the deal would strengthen its position in the industrial services market "while retaining a balance sheet in line ... with expectations".

The bidder plans to retain Safety-Kleen's name, operating it as "a distinct entity", and to keep its current management. However, it claimed that the two companies could see opportunities for "cross-selling".

Safety-Kleen, which is one of the largest used-oil refiners in North America, also said the deal should give it a wider range of marketing opportunities.

The company, based in Elgin, Illinois, had in effect put itself up for sale earlier this year when it called in financial advisers to investigate "strategic alternatives".

A significant portion of its customer base is in the automotive sector, where it cleans and maintains equipment for service stations. Revenues in the first nine months of 1997 were $680.2m.

Newcourt sets sights on top spot

When Steve Hudson co-founded a small company that leased medical equipment 13 years ago, he identified a niche that many banks did not understand and were not willing to exploit.

Realising that changing credit market conditions were creating opportunities for non-bank lenders, Mr Hudson set out to build the world's largest non-bank commercial financing group.

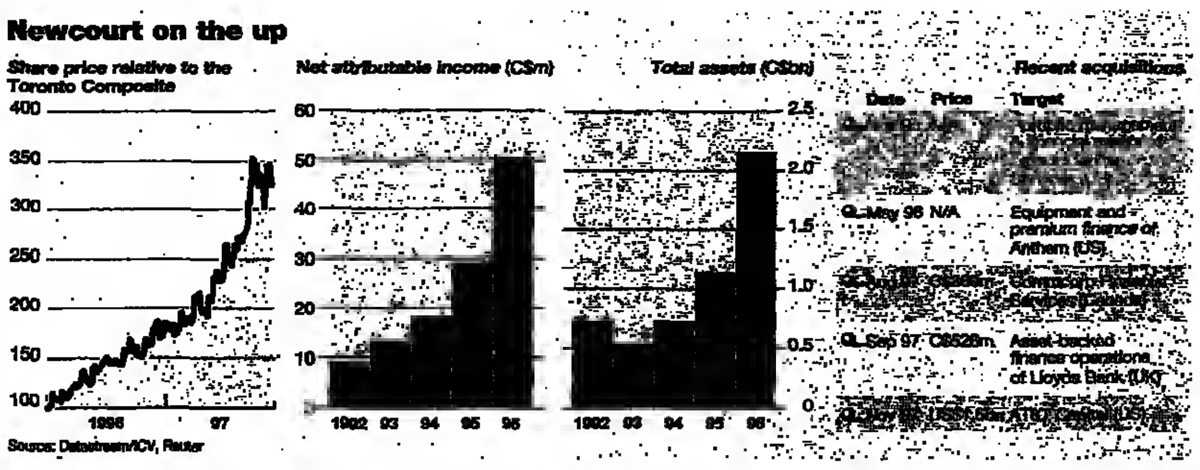
That dream came closer to reality this week when Mr Hudson's Newcourt Credit Group acquired larger rival AT&T Capital for US$1.6bn in cash and shares, positioning the once-small Canadian company as the world's second-largest non-bank lender, behind GE Capital, the financial services arm of General Electric, of the US.

AT&T Capital has bean Newcourt's most ambitious acquisition. But it is not out of character for the aggressive company, which bas bought 18 groups during the past six years.

Newcourt's latest deal will more than double its owned and managed loans portfolio to about US$18bn. It gives Newcourt the international platform in 23 countries that Mr Hudson says he desperately wanted in order to exploit the global asset-backed finance market, which originated US$110bn in loans in 1996.

Newcourt acts as an intermediary between manufacturers of products, such as computers, cars and health-care equipment, and companies that want to lease those products and institutions that want to finance those transactions.

Newcourt then resells, but often manages, the loans on bebalf of investors or institutions that buy them.



As in the past, Newcourt has financed its latest acquisition by issuing equity, in this case about 35m new shares in a deal led by CIBC Wood Gundy, the Canadian securities firm.

Despite growing the number of shares in issue to abont 135m, observers say they expect Newcourt's earnings per share to be higher following tbe deal. Some analysts expect Newcourt's shares to trade above C$60 within two years, compared with C$48.50 yesterday.

Many analysts hailed the deal, which while financially structured as an acquisition is in effect a merger that gives Newcourt greater penetration of the North American market.

John Sadler, Newcourt's senior vice-president of corporate affairs, says the deal will enable the Canadian group to establish itself as an important loan originator and manager for the rapidly-expanding telecoms industry, a sector in which Newcourt has little market penetration. "There is very little overlap in the loan origination portion of the business," Mr Sadler says.

Some analysts, however, have questioned whether Newcourt will be able to digest tha AT&T acquisition effectively. Observers note it has never taken over such a large company, one that could change the way Newcourt operates.

"They don't have a track record in terms of pulling off such a large acquisition," says one analyst.

But Newcourt has a better chance of success than most. Through numerous acquisitions, it has developed a strong financing presence in the transportation, health-care and construction sectors. In September, it established a European foothold when it bought the asset-backed finance operations of Lloyds Bank for C$526m (US$371m) in cash, giving it about 10 per cent of the UK market.

The month before, Newcourt paid C$360m for Commcorp Financial Services, the leasing arm of the Canadian Imperial Bank of Commerce, and it recently moved into the information technology sector by securing a deal to finance Dell Computer products.

Prior to the AT&T Capital announcement, Newcourt originated asset-backed financing worth C$6bn during the first nine months of this year, of which 58 per cent was generated in the commercial finance market and 42 per cent in the corporate finance market.

Total asset finance income during that period rose 67 per cent to C$192m. But Newcourt remains untested by a depressed economy and some analysts are unsure bow it would fare during a downturn in which asset quality suffered.

The son of a mechanic who three times failed his chartered accountant's exam before passing, Mr Hudson might appear an unlikely visionary, but he to date has been proved right.

Non-bank lenders in the US have seen their share of commercial and industrial loans rise from about 20 per cent in 1983 to about 45 per cent this year.

With strong forecasts for the US and Canada, tha source of 96 per cent of Newcourt'a new loans this year, Mr Hudson expects the non-bank lending sector to grow by between 10 per cent and 15 per cent a year during the next 10 years.

Newcourt executives say their focus over the next 18 months will be to digest the AT&T deal.

The company, however, does not rule out small acquisitions during that time, given that further consolidation is inevitable in the highly fragmented asset-backed finance industry.

Mr Hudson says developing advanced technology to make loans more accessible is the other avenue by which Newcourt aims to stay ahead of competitors. He predicts his company will become the largest non-bank commercial finance provider within 10 years, overtaking GE Capital, a much larger firm due to its penetration of the insurance market.

Only then will Mr Hudson revel in the fulfilment of his dream.

Scott Morrison

Talk of takeover lifts Gucci shares

By Alice Rawsthorn London

Shares in Gucci, the Italian fashion house, soared by Fl 5.80 to Fl 78.80 in Amsterdam yesterday amid speculation of a takeover bid from LVMH, tha acquisitive French luxury goods group.

LVMH, which already owns a cluster of French luxury labels including the Givenchy fashion house and Louis Vuitton luggage company, declined to comment.

Gucci, a former stock market favourite which has seen its shares fall sharply after announcing in September that profits growth would be slower than expected this year, said it "had no knowledge of any strategic buyer" purchasing its shares.

However, reports that LVMH was acquiring Gucci stock, as a precursor to a bid, swept through the investment community. "I've been hearing these rumours on and off all day," said Cedric Magnelia, luxury goods analyst at Crédit Suisse First Boston.

Analysts said tha high turnover of Gucci's shares suggested that at least one investor was buying large quantities of the stock.

LVMH has long been mooted as a prospective bidder for Gucci, which has staged a dramatic revival under its young Texan designer, Tom Ford, to become one of the most sought-after fashion labels of the 1990s.

Bernard Arnault, LVMH's chairman, is known to admire Gucci's success at revitalising its brand. Last year, he hired young chief designers for several of the brands under his control including Alexander McQueen at Givenchy, Marc Jacobs for Louis Vuitton and John Galliano at Christian Dior.

Analysts have considered Gucci's shares (all of which are in public issue) to be under-valued, and therefore vulnerable to a bid, since the price fell following the September warning. The shares have almost halved from Fl 115.50, the day before the warning, to Fl 60.10 last Friday.

Another company seen as a potential predator for Gucci is Vendôme, the Swiss-based luxury goods group controlled by the Rupert family of South Africa. It already owns the Cartier and Dunhill brands, and is now investing heavily in modernising Chloé, the French fashion housa, following the appointment of Stella McCartney, daughter of the pop star, Sir Paul McCartney, as chief designer.

Gucci's management recently failed in an attempt to prevent any investor from exercising voting rights for more than 20 per cent of its shares.

Its proposals were rejected after strong opposition from institutional investors.

AT&T in talks on internet music device

By Alice Rawsthorn

AT&T, the US telecommunications group, is in discussions with consumer electronics manufacturers to develop an audio hardware system for playing music that has been digitally downloaded from the internet.

Larry Miller, chief operating officer of A2B Music, an AT&T subsidiary specialising in digital distribution systems for music, said his company had begun talks with "most of the leading consumer electronics companies" regarding portable players on which consumers can play recorded versions of music delivered online to their personal computers.

Earlier this week, AT&T launched a pilot version of an A2B Music internet jukebox on the world wide web.

Consumers can use it to download *Reverend Girl*, a three-minute song by the Verve Pipe, a US rock group signed to a record label owned by Bertelsmann, the German media group. It takes eight minutes to download the song, and no charge is made.

AT&T has secured Bertelsmann's agreement to distribute the Verve Pipe song for a month. After that, it hopes to have agreed terms with Bertelsmann and other multinational music groups, including PolyGram, Warner Music and Sony, to post their songs on its site.

By the middle of next year, Mr Miller plans to establish a fully fledged internet jukebox from which consumers can download individual tracks or entire albums.

However, AT&T's long-term objective is to use the site as a demonstration vehicle to persuade record companies and music retailers to buy its technology for their online record stores.

AT&T hopes that its negotiations with consumer electronics companies will produce a range of static and portable players on which consumers can listen to digital musical signals downloaded from the internet.

Mr Miller said AT&T's research suggested that consumers would like to play back any downloaded music on light, portable machines that "they could go jobbing with".

At present, AT&T envisages consumers recording the digital signals on solid state flash memory cards, which are half the size of a credit card and only slightly thicker. However it will consider using other formats, such as recordable compact discs, if record companies prefer them.

Mr Miller added that AT&T did not perceive the proposed hardware as a mass market product to rival compact discs or audio cassettes, but expected there to be "a healthy niche market" for the system.

AMERICAS NEWS DIGEST

Bradesco buys insurance group

Bradesco Seguros, Brazil's biggest insurance company, yesterday bought control of Cia. União de Seguros, an insurer previously controlled by Banrisul, the Rio Grande do Sul state bank, for R$50.1m (US$45.2m), a premium of 49 per cent to the minimum auction price of R$33.6m.

Bradesco's bid, offered in a closed envelope auction, easily beat that of the other participant, Bozano Simonsen, a Rio de Janeiro investment bank, which offered R$37.5m.

This was the third privatisation in Brazil since the country's stock markets plunged following the collapse of Asian markets at the end of October, and will come as further endorsement of the government's economic policies.

A group of local investors bought CPFL, an electricity utility, on November 5 for R$3bn, a premium of 70 per cent to the minimum price. Another electricity utility, Enersul, was sold on Tuesday for R$625.6m, 83.8 per cent more than the sale minimum.

Cia. União de Seguros is Brazil's 17th biggest insurance company, with shareholders' equity of R$23.4m and premium income in 1996 of R$170m.

Jonathan Wheatley, São Paulo

■ TIME WARNER

Share buy-back target doubled

Time Warner has more than doubled the size of a stock repurchase plan initiated in April 1996 with a target of 15m shares. The entertainment group said yesterday it would boost the programme to 35m shares, buying in the market "or otherwise subject to market conditions".

It has so far bought back about 14m shares at an average price of $42 apiece using a revolving credit arranged by Chase Securities, and is now negotiating an increase in the loan facility. The original loan had been substantially paid back from the proceeds of the the exercise of stock options, it said.

Noting that its stock closed above $60 on Wednesday, the company claimed it was more competitive than ever and "comfortable with the future performance of our company and the outlook for our stock".

The buy-back was launched initially to accelerate the receipt of proceeds from stock option schemes.

Christopher Parkes, Los Angeles

■ OIL

Occidental upbeat on Midcon sale

Occidental Petroleum said at its annual meeting with analysts in New York it had received 28 potential offers to buy its Midcon Pipeline unit.

Chief executive Ray Irani said that Occidental was confident of achieving more than the $3bn it had set as a target price for the Midcon sale.

Irani also said that Occidental was now targeting a 12 per cent return on assets for its oil and gas business and 10 per cent for its chemicals business at mid-cycle, up from 8.7 per cent and 7.5 per cent, respectively, this year.

Reuters, New York

■ BRAZIL

CPFL stock repurchase plan

CPFL, the recently privatised Brazilian electricity utility, said yesterday it would buy back up to 10 per cent of its outstanding ordinary and preferred shares at market rates. At yesterday's prices, the offer is worth up to R$121.2m (US$109.4m).

The announcement follows one on Wednesday by Telebrás, the federal telecommunications holding company scheduled for privatisation next year, which said it would buy back shares worth up to R$100m. Other companies have announced similar moves since Brazilian stocks plunged in the market turbulence following the collapse of Asian stocks at the end of October.

CPFL, which covers the interior of São Paulo state, was sold on November 5 to a group of local investors for R$3bn, a 70 per cent premium on the minimum price. The successful sale was seen as an endorsement of the government's economic policies.

Jonathan Wheatley

■ AIRLINES

Delta in Venezuela move

Delta Air Lines of the US and Aeropostal, a Venezuela airline, signed a letter of intent to explore joint operations in Vanezuela.

Delta said the airlines are considering transferring passenger and freight traffic between them, schedule and computer system co-ordination, facility-sharing and mutual participation in frequent flyer programmes.

Delta said the companies will explore future opportunities for code-sharing and blocked-space agreemeots.

Aeropostal flies to nine destinations in Venezuela and seven international locations.

Delta, Delta Express, Delta Shuttle and Delta Connection and Delta's Worldwide Partners operate flights to 40 countries.

AP-DJ, Atlanta

■ DISK DRIVES

Investors show faith in Quantum

Shares of Quantum Corp rose more than 12 per cent early yesterday on confidence that the company would be less volatile than its peers in the increasingly competitive disk drive market. Shares in the group gained $3 11/16 to $29 11/16 in afternoon trading on Nasdaq.

The rise came in spite of despite negative analysts' comments on Wednesday. Todd Bakar, Hambrecht & Quist analyst, cut his rating oo Quantum to "hold" from "buy", while David Takata, at Gruntal, cut his earnings estimates on the stock.

Reuters, Los Angeles

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Sega sales suffer as competition bites

By Michiyo Nakamoto in Tokyo

Sega, the Japanese maker of video games, suffered e sharp decline in first-half sales as it met intense competition in its markats throughout the world.

Sales of Sega's 32-bit Saturn machine lagged behind those of Sony's PlayStation. In the domestic market Sony had sold 8.5m units at the end of August, while Sega's sales were 5.2m units.

North American sales of the Saturn were even more disappointing at 1.75m, while in Europe it sold only 950,000 units. Sega forecasts global sales of 8.86m units in the full year to the end of March.

In tha first half to September, worldwida shipments of the Saturn came to just 600,000 units compared with 2.85m in the same period last year. Domestic shipments were 400,000 against 1m previously, while shipments were 50,000 each in North America and Europe, against 800,000 and 500,000 respectively.

Sega said it had decided not to pursue sales of the Saturn because of the risk of damaging profitability further. Prices of video games machines have been falling and Sony recently said it would cut the price of its PlayStation further.

Instead, Sega has decided to focus on software sales, which provide better profit margins. With more than 5m units installed, it was possible to sell e substantial volume of software, Sega said. In the half-year, software sales have surpassed those of hardware for the first time.

As e result of the decision, parent sales fell 27 per cent, from Y174.9bn to Y126.8bn ($996m), as expected. Recurring profits fell 5 per cent to Y12.1bn, in part because of foreign exchange losses, while net profits declined 16.5 per cent, from Y6bn to Y5bn, largely owing to an extraordinary loss on securities valuation.

However, a sharp decline in selling costs helped improve operating profits by 7 per cent to Y12.9bn. "The result was better than expected," said Yutaka Sugiyama, industry analyst at UBS Securities in Tokyo. Sega had adopted a strategy that had enabled it to raise profitability, he said.

In the commercial games division, Sega said it hed been able to weather the downturn in the arcade market with the help of its popular Print Club and other games, which have been a big hit among young girls.

Sega plans to hit back in the home video games market this Christmas with the launch of a game for the Saturn featuring its most famous character, Sonic the Hedgehog. The game is to be launched throughout the world at the same time.

Sales of the Print Club machine helped Sega weather the downturn in the arcade market

Tisco's 31% slide reflects Indian downturn

By Krishna Guha in Bombay

A 31 per cent slida in first-half profits at Tata Iron and Steel (Tisco) – tha core of the Tata group and e bellwether for the Indian economy – yesterday gave fresh evidence of the slowdown in Indian industry.

Pre-tax profits fall from Rs2.9bn to Rs2bn ($53m) in the six months to September 30 on sales flat at Rs30bn.

Operating costs were up 5 per cent to Rs25.1bn.

The company was also hit by costs of restructuring.

Ratan Tata, chairman, said the results "reflect the downturn in the domestic economy". Steel and cement production were "maintained at full capacity levels and the products were all sold", but prices were "significantly below target and also well below thoss obtained last year".

He added that Tisco had placed "emphasis . . . on increasing exports in view of the sluggish domestic market and improving international market for steel".

Analysts said weak demand had prevented Tisco from raising prices to keep pace with rising input costs, in spite of its attempts to move to higher-value products.

"Profit is lower because of the cost pressure," said Rajashekar Iyer, head of research at Kotak Securities. He said coal prices had risen about 25 per cent in the last year. Electricity costs were also higher, by about 11 per cent.

Tisco, which is seeking to reduce its workforce by about 10,000, saw the cost of its voluntary redundancy scheme climb 14 per cent to Rs480m in the first half. The company also suffered a higher depreciation charge – up 9 per cent at Rs1.76bn – as it modernised its plants

However, the fall in profits was alleviated by a lower tax and interest charge, and by a 50 per cent increase in income from investments.

Analysts took some comfort in the sales volume, which rose 4 per cent to 1.24m tonnes, but said Tisco faced new problems in the second half as competitiou from iron and steel producers in east Asia intensified.

"Korea is one of the biggest producers of steel in the world, and the won is going down and down," said Joyotivardhan Jaipuria, strategist at DSP Merrill Lynch. He said east Asian producers would "dump their surplus output on international markets".

Some question whether Tisco can afford to continue its extensive system of social provision – which includes schools, homes and hospitals for its employees.

Jakarta stocks and rupiah lose more ground

By Sander Thoenes in Jakarta

The Jakarta Stock Exchange index fell through the 400 level and the rupiah lost more ground against the US dollar yesterday, amid growing signs that Korean banks and other lenders are demanding their money back from Indonesian borrowers.

The index ended et 396.13, from 415.65 the previous day and 740 et its peak in July.

The rupiah closed et 3,575 against the dollar, compared with 3,525 at the opening of trading.

Much of the pressure on the rupiah comes from Indonesian companies which have to pay off short-term hard-currency loans, few of which were hedged when the rupiah started falling in August.

By government estimatea, roughly half of the $65bn in private debt is short term, but some fear the figures are much higher and doubt that Indonesia's companies can pay.

"Tha potential for defaults is greater and greater every day," said David Thomas, vice-president of ING Barings in Jakarta. "Some government-related entitias stopped paying last month. If government entities default, that's what's causing the whola domino effect."

Traders say risk premiums for some Indonesian commercial paper – mostly issued in rupiah but swapped for dollars to escape Indonesia's high interest rates – have quadrupled recently. Some investors are selling commercial paper et less than half the face value.

"Seventy per cent of short-term commercial paper is held by foreign investors," Mr Thomas said. "They will have to incur e lot of forex losses."

Bankers and traders say Korean banks are among the most heavily exposed, at a time when their own economy is in crisis. Mr Thomas cited market estimates of $15bn to $20bn in commercial paper and promissory notes held by Korean investors alone.

"The Korean banks have retreated to Korea," one western banker said. "They came here for yield reasons. They have problems at home."

Mr Thomas at ING Barings said: "The Japanese are more lenient. Some of the major American houses really pulled the plug. Most of the foreign investors aren't really keen to extend the commercial papers. But they don't really have any choice. You can't really sue them," he said, pointing to weak bankruptcy laws. "You can't make them pay hut you can squeeze them on rates."

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ASIA-PACIFIC NEWS DIGEST

Krung Thai Bank to raise capital

Krung Thai Bank, the Thai state-controlled bank, said it would increase its capital by Bt20bn ($501m) after Tarrin Nimmanahaeminda, the new finance minister, insisted the management reverse a day-old decision to scrap plans to raise capital by Bt5bn. The bank has been weakened by the previous government's insistence that it discount promissory notes and other paper held by the customers of 58 suspended finance houses.

The fresh funds will raise actual capital adequacy from 8.9 per cent to 11.7 per cent. The bank said it would issue 2bn new shares, at a par value of Bt10 each, to shareholders. The capital base is currently Bt34.85bn. Sirin Nimmanahaeminda, Krung Thai president, said investor confidence and stiffer rules on the classification of non-performing loans demanded a stronger capital base. Thailand's 15 commercial banks will collectively have to raise some $3bn if only half their current non-performing loans are written off. *William Barnes, Bangkok*

■ PETROL RETAILING

NZ group challenges 'Big Four'

Fletcher Challenge Energy is to build a chain of wholesale and retail petrol stations in New Zealand to compete against BP, Shell, Mobil and Caltex. The move follows years of criticism of the "Big Four", which operate the country's only oil refinery, for apparently acting in unison on pricing. The companies have consistently denied these accusations. Fletcher Challenge Energy's move comes less than a month after Liberty, the Australian group, said it was setting up a chain of petrol stations to undercut prices by up to 10 cents a litre.

Michael Andrews, Fletcher Challenge Energy's chief executive, said the group was entering the NZ$4bn (US$2.5bn) market after a study showed there was strong potential for profits. *Terry Hall, Wellington*

■ INSURANCE

AMP's demutualisation endorsed

Shareholders in Australian Mutual Provident Society, Australia's largest insurer and fund managemeot group, yesterday overwhelming endorsed the group's demutualisation ahead of a planned A$11bn (US$7.58bn) listing on the Australian and New Zealand stock exchanges in mid-1998. "This is the biggest demutualisation that has been done in the world to date and it was done more quickly than any other," said George Trumbull, AMP managing director. AMP will rank as one of Australia's top 10 listed companies, and have assets of more than A$100bn from its insurance and fund management operations. *Reuters, Sydney*

■ AIRLINES

Asian turmoil to affect Qantas

Qantas, the Australian airline, expects net profits for the year to Juna to match or exceed last year's A$252.7m (US$174m), despite the turmoil in Asian markets. Gary Pemberton, Qantas chairman, said: "Services to the UK and the US continue to perform strongly, but recent turmoil in Asian share markets and currencies will have a negative impact on the performance of the airline in this region." *AP-DJ, Sydney*

Worms to sell control of shipping unit

By Andrew Jack in Paris

Worms & Compagnie, the French holding company subject to a friendly takeover, is to shed its controlling stake in Compagnie Nationale de Navigation, one of its oldest activities.

The group is selling its 54 per cent stake to Compagnie Maritime Belge for FFr432m ($75m) – FFr140 a share – quitting the shipping business in which it has been involved since the middle of the last century.

The disposal comes ahead of the sale, scheduled for mid-December, of Athéna, Worms' profitable insurance subsidiary, to AGF, the French insurer privatised last year which is one of its "white knights".

It also precedes the closure last night of the friendly takeover bid jointly launched at the start of October by Someal, a company controlled by the Agnelli family of Italy, and AGF.

Their complex FFr32bn bid to buy out the company was triggered by a hostile FFr30bn takeover offer by François Pinault, the French financier, in September.

He has since withdrawn his bid, while AGF and Someal have maintained their offer. The results are expected to be known in mid-December, but those close to the groups are confident it will be overwhelmingly accepted by shareholders.

Nicholas Clive Worms, chairman of the supervisory board, will remain chairman of the group under its new owners, and his chief executive will stay in charge of the executive management board.

Mr Worms said last night that the takeover represented "a slight acceleration of history. We were already gradually focusing in this way," he said.

He stressed that the group had remained active during the takeover period, and that the new owners would ensure active management to boost growth and profitability.

He has already overseen a reform of the shareholding of the group, with the merger into a single quoted entity of the different holding companies, and increased transparency. Control of Demachy Worms, its banking arm, was sold to ABN Amro earlier this year.

The group retains its 100 per cent control of Générale Sucrière, the sugar business; 40 per cent of Arjo Wiggins Appleton, the paper company; 100 per cent of Permal Group, the US financial services business; and minority shareholdings in Accor, the hotel operator, and Danone, the agro-food business.

As part of the deal, its assets will be merged with those of Someal, and Worms' shareholders will be offered shares in AGF in part payment.

Krupp-Thyssen merger mired in rivalry

Two sides bitterly divided over who should be chief executive and how partners will be valued

Two weeks ago the die seemed cast for the successful merger of Thyssen and Krupp, the steel and engineering groups, to form one of Germany's largest companies and a potent force in European heavy industry.

But now the plan to create a "pole of engineering excellence" in Germany's old industrial heartland of the Ruhr appears threatened. A bitter dispute about who should be the chief executive of the combined company has become tangled with disagreements over how to value the merging partners.

The struggle is happening on two levels. True to the traditions of Rhenish capitalism, the venerable captains of industry who represent shareholder interests on the Thyssen and Krupp supervisory boards have been meeting in company-owned mansions on the Ruhr with the chief executives and finance chiefs of the two groups, in a so far unsuccessful attempt to determine legal conditions and financial terms for the merger.

At the same time, leaks, innuendoes and the other black arts of public relations and investment banking have been deployed in a less seemly but far more modern struggle between Dieter Vogel, chief executive of Thyssen, and Gerhard Cromme, the head of Krupp, over who should head the new company.

It was to be expected that the tussle between Mr Vogel and Mr Cromme would be bitter. Their previously cordial relationship never recovered from Mr Cromme's failed attempt at a hostile, debt-financed takeover bid for Thyssen in March.

But the struggle, in which Mr Cromme started as favourite and in which Mr Vogel's supporters have worked especially hard to make up ground, has been unusually intense and is jeopardising the resolution of important practical issues.

When the merger agreement was announced on November 4, the details of how the weight of the respective partners in the new entity would be determined, and how exactly the companies would be brought together were left unclear.

Krupp, the smaller company, originally thought of a "merger of equals" in which each outstanding Krupp share would be exchanged for one share in the new group, as would each outstanding Thyssen share. Mr Vogel is determined that Thyssen shares should be valued significantly higher than those of Krupp.

A "merger of equals" would mean the owners of Thyssen's nominal capital of DM1.72bn ($992m) had a bigger share than holders of Krupp's DM1.05bn nominal capital. But there would be no concentration of Thyssen shareholders' power because its share capital, apart from around 10 per cent held jointly by Commerzbank and the Allianz insurance group and 7 per cent by the Thyssen foundation, is widely held.

With Krupp, 51 per cent is held by the Krupp foundation and a further 22 per cent by the state of Iran. The "merger of equals" would leave the Krupp foundation, headed by Berthold Beitz, Krupp's 84-year-old honorary supervisory board chairman, the biggest shareholder in the new company with about 19 per cent.

Mr Beitz is friendly with Mohamad-Mehdi Navab-Motlagh, Iran's representative on Krupp's supervisory board. The Krupp foundation and Iran together would hold more than 25 per cent, or a "blocking minority", in the new company, enabling them to have a decisive say over the appointment of the chief executive or to veto important decisions such as a capital increase.

Thyssen opened up the valuation issue a week ago when it announced sharply higher profits for the year to end-September. This was followed by analysts' reports suggesting that exchanging 1.2 or 1.3 Krupp shares for one share in the combined group would better reflect the two companies' strengths. An exchange of 1.3 Krupp shares for one new share would leave the Krupp foundation and Iran with less than the 25 per cent blocking minority.

On Monday, the same eight men who announced the merger on November 4 met at Schloss Landsberg, the Thyssen country house outside Essen. The meeting, attended by Mr Beitz; Günter Vogelsang, the 77-year-old honorary chairman of Thyssen; Manfred Lennings, Krupp's supervisory board chairman; Heinz Kriwet, the Thyssen supervisory board chief; Mr Cromme and Mr Vogel; and the two groups' finance directors, was followed by a brief statement mentioning unresolved points and a constructive atmosphere.

Thyssen has denied the story, but sources close to the meeting insist it pressed the case for a 1.3-to-one valuation of Krupp shares and broached the idea of a Thyssen takeover of Krupp rather than a merger.

While the leadership issue was not on Monday's agenda, the Thyssen position was that Mr Vogel should be chief executive of the new company.

The result has been stalemate. The two sides have appointed accountants to help solve financial and legal issues, a process that could take time. The power struggle for the top job continues, fuelling fears of a collapse of plans for an engineering group with annual sales of about DM65bn and a workforce of 180,000.

Such a failure would have widespread repercussions and damage corporate Germany's reputation for moving swiftly to restructure to meet the challenges of globalisation and the planned European single currency.

Peter Norman

Steeled for difficulties: (from left) Dieter Vogel, chief executive of Thyssen; Gerhard Cromme, head of Krupp-Hoesch; Heinz Kriwet, Thyssen supervisory board chief; and Berthold Beitz, Krupp's honorary supervisory board chairman

Observer, Page 13

Pernod Ricard faces prospect of takeover

By Andrew Jack

The prospects for a takeover of Pernod Ricard, the French drinks group, intensified yesterday with news that the shares of its founder have been distributed between 31 of his descendants.

In an interview in the newspaper La Tribune, Patrick Ricard, chairman of the group, said his father, Paul, had given his shares to his grandchildren and great-grandchildren.

The shares – which represent 12.5 per cent of the capital and 19.8 per cent of the voting rights – are held through a private company called Société Paul Ricard, which will pay the inheritance tax due on the shares distributed to his heirs.

Members of the Ricard family and other founding families brought into the group as a result of mergers and acquisitions, between them are believed to hold 40 per cent of the capital and 50 per cent of the voting rights. However, none holds more than the 5 per cent beyond which they are required to make a public disclosure.

Mr Ricard said he, his brother and three sisters had not received any shares following his father's death this month. He said they were not linked by the conditions of a shareholder pact.

He said there should be no change as a result of the inheritance. He said the new heirs' shares – which are held through a second private holding company which controls Société Paul Ricard – were also not subject to a shareholders' pact.

However, he stressed the board of the holding company had the right to approve any new shareholder, which could in effect block purchases by new investors.

In spite of his assurances, the fact that the family shareholding has been considerably dispersed could increase the risk that some will want to sell and the strong control of the Ricard family be diluted. The group's share price has risen sharply in the past two weeks.

In recent months, there have been tensions in France at Nouvelles Frontières, the privately-held travel group, and Publicis, the advertising group controlled by a private holding company, after family members attempted to sell their shares.

In the interview, Mr Ricard also said that the group could easily find FFr5bn-FFr6bn ($862m-$1.03bn) for purchases, and expressed interest in acquisitions including those triggered by the merger of Grand Metropolitan and Guinness, of the UK, "if the price is right".

Egypt defends steps to curb oversubscription

By Mark Huband in Cairo

Egyptian government measures to reduce over-subscription for initial public offerings have been defended as necessary to allow realistic assessment of privatised assets, despite fears that they will limit after-market activity.

The government has decreed that local investors must provide payment for the entire amount of their share purchase in advance, a move designed to stop them speculating on different issues.

It has also introduced a rule requiring foreign investors to deposit their funds in an escrow account prior to an IPO – a measure viewed by some analysts as having the potential to soak up funds that could have been invested elsewhere.

The two measures have provoked criticism from financiers that the government has created hurdles to investment at a time when concern over the slow pace of privatisation has intensified appetite for secondary market stocks.

"The secondary market has already been hit by the advent of these rules for local investors, and it seems a bit over the top to apply them to foreign investors as well at this early stage in the market's development," said an analyst at T. Hoare, the London brokers.

"The idea behind them is valid, which is not to overbeat the new-issue market. However, to accomplish this at the expense of the secondary market may be throwing the baby out with the bath water."

The government is convinced there is sufficient interest in Egyptian stocks to prevent the moves discouraging investors.

"It gives a measure of the true demand for these assets," said Yousef Boutros Ghali, minister of economy.

Investigations have revealed that while IPOs are sometimes between 10 and 20 times oversubscribed, it is often because the same people apply for shares under different names.

"The only way to get around this is to put actual funds in an escrow account. It is important for us to have an idea of the potential size of the market. It's a nuisance for the investor, but it's necessary in a market as young as ours," Mr Boutros Ghali said.

Funds are to be deposited in an escrow account for between 24 and 48 hours.

"It discourages the secondary market at the time of the IPO, but the period is so small that it's unlikely to have a serious impact," the minister added.

France Telecom hands out 'welcome present'

By David Owen in Paris

Christmas is coming early for some of France Telecom's 3.9m shareholders.

The former monopoly operator, which was partly privatised earlier this year, is offering a weekend of free national phone calls to shareholders who sign up for its newly launched investors' club before the end of this year.

To qualify, individuals must be clients of the company and hold at least 20 bearer shares or one registered share. They will be able to choose one of the first eight weekends of 1998 – coincidentally the first eight weekends on which the French market will be opened fully to competition – on which to make their free calls.

The group yesterday described them as a "welcome present", similar to the introductory gifts sometimes offered by book clubs and similar organisations.

It said the move was designed, in part, to bolster customer loyalty by encouraging clients to give "constructive criticism" of how services could be improved rather than defecting to a competitor.

The club would provide its members with a "direct line" to the company through regular meetings, round tables and panel discussions and would be a vehicle for "a steady stream of promotional offers". It would be "very happy" if 100,000 shareholders signed up.

The company is reckoned to have made a reasonably good start in preparing for the tougher competition that will confront it from Cegetel and others in about six weeks' time. Its experience in the mobile telecoms arena, where it has so far retained market leadership in spite of increasing threats from rivals, has given it a taste of what lies in store in other markets.

Last month's initial public offering of a minority stake in the company raised FFr42bn ($7.24bn) and appears to have helped foster an increased willingness on the part of France's Socialist-led government to sanction disposals of public assets.

INTERNATIONAL NEWS DIGEST

Telekom silent on TV network

Deutsche Telekom, the partially privatised German telecoms company, yesterday refused to comment on reports that it would spin off its cable television network to satisfy the European Commission. The cable network plays a central role in the development of digital television in Germany, where Deutsche Telekom has linked up with broadcasters CLT-Ufa and Kirch to establish a technical platform for distribution of programming.

The network, which reaches more than one-third of German households, is the subject of a current investigation by Karel Van Miert, Europe's competition commissioner, who has expressed concern about Deutsche Telekom's dominance of the cable market. Mr Van Miert has said he would ideally like to see a separation between the cable television network and Deutsche Telekom's core telephony business. In the past the company has said it would resist any attempts to "expropriate" one of its main assets. But a report in today's edition of Manager Magazin says that Deutsche Telekom will overcome Mr Van Miert's reservations by making the cable network a distinct subsidiary. This, the report says, would be composed of regional affiliates in which third parties could take equity stakes. *Frederick Stüdemann, Berlin*

■ GERMANY

Mannesmann forecasts upturn

Mannesmann, the diversified German industrial conglomerate, said yesterday it expected 1997 pre-tax operating profits to be "significantly higher" than last year's DM1.01bn ($583m). It also reported a 15 per cent increase in sales to DM27.4bn in the first nine months of the year.

In its nine-month trading statement, Mannesmann said all sectors were contributing to earnings improvements, although profit details were not released. Telecommunications continues to drive growth, with sales in the division rising 60 per cent to DM4.74bn in the nine months. At the end of September, Mannesmann D2, Germany's largest digital mobile telephone network, had 3.1m customers. Mannesmann said D2's growth would boost telecoms profits, which already dominate the traditionally industry-oriented concern. But it expected substantial profit improvement in engineering. It also reported "a clear turn-round" in tubes and trading divisions, which incurred a DM92m loss in 1996. *Ralph Atkins, Bonn*

■ STEEL

Brussels backs Arbed-Aceralia

The European Commission yesterday gave the green light to the Luxembourg-based steel company Arbed's acquisition of a 35 per cent stake in Aceralia, the Spanish steel company. The approval came as the Spanish government prepares to sell its remaining 52.8 per cent stake in the country's leading producer.

The sale to Arbed, agreed for an undisclosed sum in July, was the first step of the Spanish government's privatisation programme for Aceralia, formerly known as Corporación Siderúrgica Integral. At the same time, Aceralia took a 9.5 per cent stake in Arbed through a capital increase and bought stakes in some of Arbed's subsidiaries. The Commission said yesterday that the proposed operation "does not raise serious doubts as to its compatibility with the competition rules".

Aceralia was expected late last night or today to file its prospectus to the Madrid Bolsa ahead of Monday's launch of the share offer. *AP-DJ, Brussels*

■ ELECTRONICS

Tadiran income up 76%

Tadiran, Israel's largest electronic company, yesterday reported a 76 per cent rise in net income for the third quarter, following a restructuring involving the sale of subsidiaries and greater focus on exports. Net income jumped from US$11.5m to $20.2m, with exports rising 46 per cent from $122.5m to $154.4m over the same period last year. Sales rose 4.2 per cent, from $267.5m to $278.9m, with exports at 55 per cent of total revenues.

Sales for the first nine months amounted to $855.4m compared with $858.3m last year, while net profits – which include a capital gain of $33.7m – slipped from $83.1m to $49.8m. By the end of September, orders amounted to $891.8m and will exceed $1bn by the end of the year following a Swiss army decision to buy $120m of Tadiran's equipment. *Judy Dempsey, Jerusalem*

■ HEALTHCARE

Setback for Fresenius shares

A sharp recovery in the share price of Fresenius, the German healthcare company, came to an abrupt halt yesterday in spite of the announcement on Tuesday that it might sell the US homecare and diagnostics division of its subsidiary Fresenius Medical Care (FMC). One US analyst said yesterday that sales at the division were likely to be worth $265m this year against $365m in 1996 and that the price was likely to be less than one times revenue.

Oliver Maier, pharmaceuticals analyst at Dresdner Kleinwort Benson in Frankfurt, said fourth-quarter earnings would be hurt by the continued decline in FMC's homecare and diagnostics division. "But the long-term outlook is much stronger because of the acquisitions and joint ventures they have made this year," he said. Fresenius shares fell DM1.5 to DM116.5, while shares in Fresenius Medical Care fell DM18 to DM272. *Daniel Green*

■ CHEMICALS

Bayer to invest DM4bn in Asia

Bayer, the German chemicals and pharmaceuticals group, yesterday gave a boost to confidence in Asia when it said it wanted to spend DM4bn ($2.3bn) over the next 10 years on investment and acquisitions in the region. Dieter Becher, board member, said the company aimed to increase Asia's share of total group sales to 25 per cent by 2010 from 14 per cent last year.

Devaluation of Asian currencies would "help to strengthen the economic development of the emerging economies in Asia and the competitiveness of their products," he said, adding that a study by the German Association of Chemicals Manufacturers showed that by 2010, Asian demand for chemicals would be about one-third of global consumption. *Graham Bowley, Frankfurt*

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COMPANIES AND FINANCE

Volkswagen makes series of U-turns

Contradictory statements fuel speculation over strategy

Ferdinand Piëch: doubts about the VW chief's plans crept in after announcement of share issue, later postponed Reuters

For a company much chastened by costly foreign acquisitions, which took years and billions of D-Marks to digest, Germany'a Volkswagan group is showing unwelcome signs of revisionism.

At September'a Frankfurt motor show, Ferdinand Piëch, its combative chairman, denied rumours it would buy Porsche, the German sportscar maker.

But last week, Mr Piëch made a sharper U-turn than a VW Golf. On Thursday, VW announced it no longer ruled out acquisitions. A day later, it expressed interest in Rolls-Royce, the luxury carmaker being sold by Vickers of the UK and already being courted by BMW.

This week, VW was at the centre of even stranger speculation it might buy into Volvo, the Swedish car and truckmaker. Other potential brides this year bave included Scania, another Swedish truckmaker with which VW has historical links, and the trucks division of MAN, a German industrial group. Do VW'a ambitions know no end?

VW and Volvo both denied the rumours, as did Scania and MAN earlier. But the speculation has focused attention on VW's long-term strategy.

VW had until last week said growth would coma from its four car marqnes and from commercial vehicles – its "fifth brand". Under Mr Piëch, VW has repositioned the once overlapping car brands and underpinned its improved marketing with a much more coherent model mix.

Doubts about its plans crept in wben, controversially, the group announced plans to raise DM6bn-DM8bn ($3.5bn-$4.6bn) through a share issue. Investors were dismayed because VW had ruled out such a deal this year and declined to say what the money was for.

VW shares, a star performer of 1997, swiftly lost their sparkle. The stock was one of the worst hit last month when turmoil in Asian markets spread to Europe, and has since been further pounded as the contagion apread to Brazil, which accounts for 15 per cent of VW's sales. Under pressure from its bankers, VW postponed the share issue indefinitely.

Its subsequent interest in Rolls-Royce provoked suspicion the move may be a tactic to rebuild investors' confidence through an *ex post* justification for the capital increase. "There is a possibility they were surprised by the market reaction and now they are taking the opportunity to demonstrate a need for capital," says Andrew Blair-Smith, car analyst at BZW in Frankfurt.

VW may just have been seeking an inexpensive way to acquire additional information on the luxury car market, in view of its much-trumpeted plans to take on Mercedes-Benz. Or it may even be talking up the price of Rolls-Royce deliberately to force BMW to pay more. Such Machiavellian tactics would not be untypical of Mr Piëch.

Such suspicions about hidden agendas stem in part from analysts' scepticism that buying another carmaker would make any sense for VW. Its decision to buy the loss-making Seat and Skoda groups looks inspired now. But knocking the Spanish and Czech companies into shape took years. Even establishing Andi, a German brand, as VW's premium marque took at least a decade. Now they are all in profit, it is hard to believe VW would seek another challenging acquisition.

None of the rumoured takeovers makas much sense. Buying Rolls-Royce would add prestige, but little else. "It's an irrelevance for VW," reckons one London-based analyst.

The Volvo rumour is even more bizarre: since the collapse of its planned merger with Renault, the Swedish group has sold its non-automotive activities to fund investment in cars and trucks. While the truck strategy has been diverted temporarily by problems in the US, the fruits of the car spending should come soon.

Suggestions of that VW might be interested in Scania or MAN make more sense. VW has a big commercial vehicles business in Brazil, where it builds trucks weighing up to more than 40 tonnes. But in a sector which is globalising rapidly to reap economies of scale, VW'a operations are limited to South America, with very limited exports to Europe. Buying another truckmaker could create valuable synergies.

The Scania rumours had some plausibility as the two companies hava historical links, and Scania is very active in Brazil. Even linking with Volvo could appear convincing were it just a truckmaker, rather than also having a car range which with Audi.

Buying MAN could also be sound. The German company has worked closely with VW in the past building light weight vehicles in the home market. And MAN looks exposed since Daf, a smaller rival, was bought last year by Paccar, the big US heavy trucks group. Although part of wider industrial grouping, MAN's truck side is now the smallest of Europe's mainstream truckmakers.

But the most convincing explanation for the rumours swirling around VW's Wolfsburg headquarters is that they reflect intense internal discussions as VW considers its future. Options could include both acquisitions and organic growth, while the move to raise new capital may have been an attempt to give it the independence to act fast once decided.

Unfortunately, what could have been presented as astute planning has emerged as a string of unconvincing rumours. VW may have got its act together in building and marketing cars, but communicating with shareholders and the media still appears a generation behind.

Graham Bowley and Haig Simonian

Greek bank in funding deal

By Kerin Hope in Athens

National Bank of Greece, the country's biggest, said yesterday it had reached agreement with three investment houses on a Dr40bn ($147m) share repurchase deal, following the postponement of an international share placement because of turbulence on financial markets.

The state-controlled bank said Merrill Lynch, SBC Warburg and HSBC agreed to buy a block of 1.6m shares at today's closing price. The agreement offers the three houses the right to place the shares privately or sell them back to NBG in a year's time.

Analysts said the deal was aimed at restoring confidence in Greece's financial markets after heavy selling by international institutions of Greek government bonds, speculative attacks on the drachma and a sharp rise in interest rates.

NBG, wbich has the biggest portfolio of government bonds – amounting to Dr3,300bn – called off the international placement two weeks ago amid turmoil on the Athens stock exchange. The offering had been due to take place immediataly after completion on November 14 of a Dr80bn rights issue.

The bank said that in spite of adverse conditions on the domestic market, tha rights issue was oversubecribed by 25 per cent.

The Athens stock market index rose 1.5 per cent yesterday, with a 0.28 per cent improvement in tha banking index, although NBG's share price closad 0.1 per cent lower at Dr26,450.

The bank'a share price has declined staadily from Dr32,000 at the time the international placement was scheduled to take place.

The Socialist government was anxious to sell the shares, representing abont 6 per cent of the bank'a equity, in order to meet this year's budget target for privatisation revenues.

The block includes part of the state's own holding as well as shares belonging to the Loans & Consignment Fund, a state-owned credit institution.

Bank officials said the share repurchase deal was timed to ensure that the state shareholding in NBG will remain below 50 per cent.

The first tranche of a convertible bond issue held by tha finance ministry reaches maturity next week, adding soma 1.6m NBG shares to the government's portfolio.

BTL on exchange's watch list

By Hilary Barnes in Copenhagen

The Copenhagen Stock Exchange yesterday placed BTL on its observation list following an agreement by Stinnes, the Danish subsidiary of Germany's Veba, to acquire a controlling stake in tha Swedish haulage group.

It was reacting to complaints from institutional shareholders that Stinnes was ignoring exchange rules. These require a company acquiring majority control of a company listed on the Danish exchange to make an offer on identical terms for the shares of minority shareholders. Stinnes has agreed to buy 35 per cent of the capital and 51 per cent of the votes in BTL through a deal with Finnlines, the Finnish shipbuilder. In exchange, Finnlines will take control of Poseidon Schiffart, the shipping arm of Stinnes.

Stinnes bas told the exchange the deal was still subject to a number of terms and conditions. It said it was still not certain it would take more than 50 per cent of the voting rights of BTL.

Howevar, on Monday it said the deal "will result in Stinnes holding 51.5 per cent of the voting rights".

Link with Italy's Alliance Santé will rival Germany's Gehe

UniChem agrees merger

By David Blackwell

UniChem, the UK wholesale and retail pharmaceuticals group, yesterday agreed to merge with Alliance Santé of Italy, creating a health care group with sales of almost £5bn ($8.45bn) a year to rival Germany's Gehe in the European market.

Shares in the UK company, which earlier this year lost a £684m bid battle for Lloyds Chemists to Gehe, leapt 58p to 346p on the news. At yesterday's close the new group, which will be known as Alliance UniChem, would have a market capitalisation of £970m.

UniChem is issuing 104.6m new ordinary shares, or 39 per cent of the enlarged share capital, to acquire Alliance Santé Luxembourg, a private holding company owned by Stefano Pessina, who has spent 20 years building the group after inheriting it from his father. UniChem is also offering £153m cash for minority shareholdings in two associated French companies.

Pro-forma sales this year for Alliance UniChem would have been £4.9bn, with pre-tax profits before restructuring costs of £102.2m.

UniCham – chaired by Kenneth Clarke, the former Conservative chancellor, – is already equal first with Gehe in UK wholesale pharmaceuticals, each having about a third of the market. The enlarged group will have a 30 per cent share of the French market, second to Gehe. It will be market leader in Italy and Portugal, and second in Spain.

Jeremy Green, health analyst at Salomon Brothers, described the deal as "very good strategically" as there was room for growth and further acquisitions in Italy, Portugal and Spain. In addition changes in European regulations might allow it to build up a retail presence.

Jeffery Harris, UniChem's chief executive, has known Mr Pessina for several years, and earlier this year the two companies launched a 50-50 joint venture in Portugal. This had revealed a common business philosophy and management style.

"Wa feel we know them pretty well," said Mr Harris, who is expecting cost savings and other benefits in the first year to add more than £5m to profits. "They bring markets with much more opportunity than the rather restrained market in the UK."

"Wa have been looking for the opportunity to create a base for a true pan-European wholesaler," said Mr Pessina, who is hoping for a Paris listing for the new group.

Analysts suggested that the only downsida to the merger was the 36 per cent holding now with Mr Pessina, who will join the board as deputy chairman. However, he has accepted several restrictions on voting and dealing in his shares. In addition, he will waive his final dividend this year, and hold his 1998 dividend to FFr10m, saving the group about £10m.

Neither Mr Harris nor Mr Pessina are predicting significant job losses.

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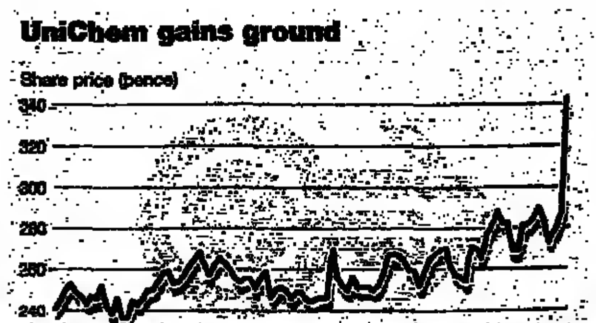
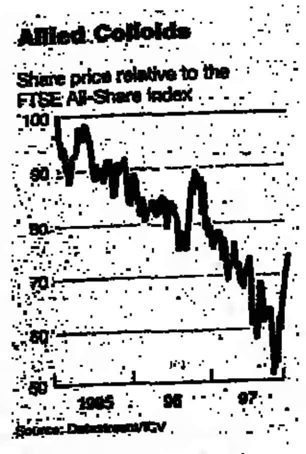
UniChem gains ground



LEX COMMENT

All'd Colloids



It is not hard to see why predators might have sniffed blood at Allied Colloids. A speciality chemicals company with leading positions in environment-related market niches had fallen from grace. Before the recent recovery, fuelled by bid speculation, its shares had sunk to 101½p, well below last year's rights issue price to fund a big acquisition. The shares had even underperformed the unfashionable chemicals sector by about 25 per cent this year. Some of tha problems, notably sterling's strength, have been beyond the company's control. But it is not the only export oriented UK manfacturer to see profit forecasts cut. Other difficulties, however, relate to a need for internal change which it has been slow in implementing. While sales had grown by nearly 50 per cent over the last five years, earnings advanced by less than 25 per cent. New senior management took their cue for action after a profits setback in 1995, but the sort of complacency that rapid growth and premium ratings breed is difficult to shift.

A bid approach may well act like a dose of salts. The prospect of negotiations should galvanise the company internally, as well as reminding the market of its underlying attractions.

After yesterday's price jump, the shares are trading on about 18 times 1997-98 earnings forecasts, and are no longer cheap. But if the management cannot convince investors that it can run a global business well, an industry rival should try to do it for them.

Granada indicates disposal of BSkyB holding

By John Gapper and Scheherezade Daneshkhu

Granada Group, the leisure group, indicated yesterday that it was moving towards the disposal of an £870m ($1.47bn) stake in British Sky Broadcasting because of sharpening competition in UK pay television.

Gerry Robinson, chairman of both Granada and BSkyB, said it was becoming "more difficult" for Granada to hold its 10.7 per cent stake in BSkyB because of its commitment to the rival British Digital Broadcasting consortium.

Mr Robinson, speaking after Granada unveiled a 35 per cent rise in annual profits before tax and exceptional items from £404m to £650m, said it would face a "possible conflict" if BDB came to rival BSkyB.

The group had restructured and simplified part of its stake in BSkyB in a move that could ease disposal. But it had no immediate plans to do so, and conflict might not emerge for five years.

Charles Allen, Granada's chief executive, emphasised thet it saw short-term benefits in holding its BSkyB stake, including BSkyB supplying programmes to BDB, and participation in BSkyB's current strength.

Granada holds 50 per cent of BDB along with Carlton Communications. It plans to launch a 15-channel digital terrestrial service next autumn, which will include premium channels supplied by BSkyB. Mr Robinson indicated that he was likely to step down from BDB's board to address competition concerns from the European Union. He was confident the European Commission would approve BSkyB's links with BDB.

Analysts expect Granada to sell its BSkyB stake within two years because of the likelihood of competition for programme rights between BDB and BSkyB. Tha stake cost the company £106m and has a market value of £870m.

Granada also operates a pay television joint ventura with BSkyB, Granada Sky Broadcasting, on which it disclosed losses of £6m. Mr Robinson said BSkyB was likely to increase its stake in GSkyB from 40 to 50 per cent.

BSkyB is to launch its planned 200-channel digital service next spring.

Pearson, the media company that owns the Financial Times, may dispose of its remaining 4.3 per cent holding in BSkyB. News Corporation is the largest single shareholder with 39 per cent.

Mr Robinson said Granada had no plans to demerge its media and leisure arms. "We don't think we would enhance valne with a demerger, but if we ever saw it was the right way forward, we'd do it. We are not purist," he said.

PowerGen looks for purchase

By Simon Holberton

PowerGen, the electricity generating group, is seeking a "significant acquisition" in either the UK or US.

Ed Wallis, the chairman, said yesterday he had his sights set on buying a regional electricity company, but did not rule out a large foreign acquisition, possibly in the US.

"We are biding our time," he said. "We want to look at further opportunities. Whether the acquisition is here or overseas is irrelevant. I'm looking for a good deal."

Analysts estimated that PowerGen could spend £1.5bn-£2bn ($2.5bn-$3.4bn) on an acquisition without increasing its borrowings. But it could spend more if it issued equity, they said.

But some suggested investors would rather see cash distributed to shareholders.

Mr Wallis said PowerGen would refine its acquisition strategy ooce the government had announced the outcome of an inquiry by the Monopolies and Mergers Commission into PacifiCorp'a bid for the Energy Group, an electricity distributor.

The MMC is due to report to the government today.

PowerGen yesterday said its pre-tax profits, excluding exceptionals, in the half year to the end of September were 12 per cent up at £154m. Turnover was down 10 per cent to £1bn.

Directors daclared an interim dividend of 9p, up 15 per cent. The shares added 1p to 750p.

PowerGen said its market share dipped below 20 per cent for the first time since privatisation. In the half year to September it supplied 19.1 per cent of the electricity sold through the Electricity Pool. It expected to take about 19.5 per cent of tha market in the full year.

Approach to Allied Colloids

By Emiko Terazono

Shares in Allied Colloids rose 12 per cent to to 139¼p yesterday as the speciality chemicals manufacturer announced it had received a tentative approach which might or might not lead to an offer.

The latest rise values the company at about £960m ($1.62bn). The shares hava risen 22 per cent over the past two days on hints of talks. Allied added yesterday, however, that a firm offer had yet to be tabled and stressed that it was uncertain whether a bid would be made.

BASF, the German chemical maker, which is understood to have indicated interest in Allied in the past, is seen to be a potential bidder, although the group yesterday denied this.

Laporte, the UK chemical company which has about £500m in cash and is believed to be interested in further growth through acquisitions, denied earlier speculation that it had approached Allied.

Allied is the world leader in polymer chemicals which help separate solids from liquids and are used primarily in pollution prevention and paper manufacturing. Tha group reported a 30 per cent rise in pre-tax profits to £54.6m last year despite the strength of the pound.

With about 8 per cent in annual volume sales growth and 15 per cent operating margins, the group has been regarded as a potential target for larger, cash-rich chemical groups. Last year's $390m purchase of CPS, a US producer of ingredients for water-soluble polymers, also enhanced its attractiveness, said analysts.

With a likely valua of more than £1bn and a low net asset value, a potential buyer would have to be a large multinational group, said one analyst yesterday.

The offer is unlikely to be hostile especially since the shareholders, largely institutions, including Schroder Investment Managament which holds 11 per cent, are only likely to accept a management-endorsed offer.

One analyst suggested an 165p-a-share offer, valuing the company at more than £1.1bn, would be a fair price.

Merrill and MAM move to reassure clients

By Jane Martinson, Investment Correspondent

Merrill Lynch, the US investment bank, and Mercury Asset Management yesterday moved to reassure UK institutional clients that the fund manager would retain its distinctive style and individual approach following thair proposed £3.1bn ($5.23bn) merger.

Jerome Kenney, executiva vice-president of Merrill Lynch, said yesterday: "We are not going to do anything different in the UK as it's very successful as it is."

Both Merrill and MAM emphasised the continuity of management at MAM after the agreed deal, which was announced on Wednesday. The UK group's senior members – Carol Galley and Stephen Zimmerman – are to co-head the new group and join the Merrill Lynch executive committee.

However, one leading consultant, who advises large UK pension funds, said: "The MAM of old had a lot of individual characters who made a difference to the performance of the funds. The fear is that those characters now have a new toy to play with. The individualism that one got as a client of MAM will probably diminish."

MAM has tended to take large stakes in companies and allowed its individual managers greater freedom than is typically the case in other companies. This has helped cause volatile performance in the past year but has also attracted dedicated followers.

MAM said that the initial response among clients had been positive.

Mr Kenney said that the integration process would be largely managed by MAM.

He said that a so-called transitional leadership committee had already been established to look at the difficult task of merging the two distinct groups. This 'TLC' will include Ms Galley and Mr Zimmerman as well as Michael Quinn, the head of the US group's institutional business. It will attempt to ensure that MAM's culture is maintained while seeking to integrate the two businesses as fast as possible.

Mr Kenney said that it would be relatively straightforward to integrate the two companies' products. "The same people will be going to see clients. Nobody from Merrill Lynch will be going to see UK clients unless they ask them to."

The group aims to integrate the two businesaes immediately.

Aberdeen Asset set for Singapore

By James Kynge in Singapore

Aberdeen Asset Management, the UK fund management company, has gained approval to list on the Singapore Stock Exchange, the company said. The listing, if it goes ahead, is a sign of the increasing importance of Singapore as a financial centre for south-east Asia and beyond.

Singaporean officials are actively courting foreign brokerage houses and fund management companies to show commitment to the city-state as it prepares for a series of important financial libaralisations, probably next year. Officials are not calling the expected Singaporean reforms a "big bang" but one termed them a "series of thunderclaps".

Richard Hu, finance minister, said that more seats on the stock exchange would be offered to foreign brokerages and foreigners would be allowed to buy stocks in the initial public offerings of state-run companies.

Earlier this month Singaporean authorities permitted the distribution of third-party unit trusts through local atockbrokers. Though this relaxation may appear trifling, it removes a long-standing barrier to the development of foreign fund management companies on the island. Previously, only banks were allowed to distribute the unit trusts but in practice a web of established loyalties in tha market made it difficult for newcomers to gain a presence.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alphameric	6 mths to Sept 30	7.31	(6.29)	0.328	(0.231)	0.5†	(0.5)	-	-	-	-	nil
Antonov Φ	6 mths to Sept 30	0.162	(0.016)	1.43L	(1.34L)	1.92L	(1.84L)	-	-	-	-	-
Azlan	6 mths to Oct 4	141	(126.5)	7.9L♠	(6.03♠)	23.1L†	(15)	nil	-	1.3	-	3.8
Babcock Intnl	6 mths to Sept 30	289.6	(316.7)	15.5L♠	(4.68♥)	6.85L	(1.8)	0.69大	Jan 30	0.625	-	1.45
BG	6 mths to Sept 30	750	(1,426♦)	21	(605L♠)	0.1	(-)	-	-	-	-	14.5
Bradford Property	6 mths to Oct 5	35.3	(28.8)	16.3	(14.2)	7.64	(6.46)	4.1	Jan 2	3.8	-	8.45
Carr	Yr to Aug 31	161.5	(137.9§§)	4.82	(4.63)	10.6	(-)	3.12	Jan 22	-	4.68	-
Chloride	6 mths to Sept 30	57.8	(64.4)	4.33	(4.79)	1.38	(1.65)	0.26大	Feb 6	0.18	-	0.65
City of London PR	6 mths to Sept 30	1.24	(1.16)	0.505♥	(0.490♥)	4.71	(4.54)	1.87	Jan 12	1.7	-	5.6
Dart	6 mths to Sept 30	42.6	(36.9)	2.61	(2.41)	11.3	(10.1)	2.3	Jan 6	2.1	-	6.5
Elliott (B)	6 mths to Oct 3	57.5	(56.6♦)	3.41♥	(1.14♠L)	7.82	(4.01L)	1.35	Jan 30	1.2	-	3
Fiberset Φ	Yr to Aug 31	7.2	(5.9)	0.467L	(0.328)	1.3L†	(0.7)	nil	-	nil	nil	nil
Glenmorangie	6 mths to Sept 30	22.8	(22.8)	4.57♠	(4.3♠)	23.42	(22.07)	3.25★	Jan 15	3.025	-	13.2
Granada Group	Yr to Sept 27	4,091	(3,816)	660.9♥	(404.8♠)	53.6	(37)	9.84	April 1	8.765	14.5	13
Hickling Pentecost	6 mths to Sept 30	71.4	(49.7)	5.07	(3.84)	12.4	(12.2)	2.7	Jan 6	2.4	-	7.4
Hill Hire	6 mths to Sept 30	12.2	(9.7)	2.15	(1.11♠)	6.29†	(3.02)	1.46	Jan 31	1.33	-	4
HWP Int ‡	6 mths to Sept 30	114	(87.1)	10.7	(9.64)	10.68	(9.53)	2.42	Jan 23	2.2	-	5.34
Lambert Fenchurch	6 mths to Sept 30	64	(46.4)	7.1	(5)	5.4	(5.4)	2.9	Feb 2	2.9	-	8.4
Man (ED & F)	6 mths to Sept 30	144‡‡	(121.6)	61.2♥	(27.2♥)	16.9	(8.9)	3.7	Jan 30	3.4	-	10.7
Norcros	6 mths to Sept 30	119.1	(115.4)	6.2	(51.2♥)	2.8	(28.5)	1.1大	Jan 6	1	-	2
Powell Duffryn	6 mths to Sept 30	358.7	(399.5)	21.1	(6.6♠)	17.2	(1.9L)	6	Jan 6	6	-	25
Powergen	6 mths to Sept 28	1,085	(1,209)	154	(207♥)	18.1‡	(25.5)	6	Dec 31	7.8	-	25.2
Radstone Tech	6 mths to Sept 30	10.1	(8.74)	1.17L	(1.41L)	7.59L	(9.1L)	nil	-	nil	-	nil
Storehouse	28 wks to Oct 11	635.5	(590.5)	38.5	(17♠)	6.6	(1.8)	3.6	Feb 10	3.3	-	8.1
Sterling Publish'g	6 mths to Sept 30	11	(13.2)	5.24L♠	(0.507)	12.61L	(0.2)	nil	-	nil	-	nil
Tomkinsons	Yr to Sept 27	27.5	(26.3)	1.77	(1.39♠)	18.5	(14.5)	6	Feb 26	6	11.5	11.5
Vocalis	6 mths to Sept 30	1	(0.629)	1.49L	(0.853L)	4.64L	(2.91L)	-	-	-	-	-
York Waterworks	6 mths to Sept 30	4.61	(4.34)	1.83	(1.8)	21.1	(19.3)	4.55	Jan 20	4.2	-	12.8

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baring Stratton	6 mths to Sept 30	379.9	(316.8)	0.201	(0.123)	1.59	(0.97)	-	-	-	-	2.29
Edinburgh Dragon	Yr to Aug 31	86.72	(104.3♦)	0.889L	(1.27L)	0.33L	(0.48L)	nil	-	nil	nil	nil
F&C Income	6 mths to Sept 30	131.75	(109.58)	0.901	(0.898)	2.08	(2.06)	0.8✠	Dec 31	0.8	-	3.55
Martin Currie Eur	6 mths to Oct 31	193.26	(161.28)	0.186	(0.203)	0.79	(0.87)	-	-	-	-	0.8
Shires Income	6 mths to Sept 30	394.4	(325☆)	3.54	(2.82)	12.55	(10.12)	4.2✠	Jan 30	4.2	-	16.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ‡Excluding windfall tax. ★Per A ordinary 10p share. §§Pro forma comparatives. ♦Comparatives restated. ✠Second interim. ☆At March 31. ‡‡Trading profit. 大Foreign income dividend.

TECHNOLOGY

Manufacturers of systems that project TV pictures are looking to their laurels, writes **David Murphy**

More choice for viewers

The systems used to project television pictures on to large screens for communal viewing in pubs, social clubs, and even some living rooms, have not changed much in recent years. Buyers have had a etraight choice between CRT (cathode ray tube) and LCD (liquid crystal display) systems.

Bnt with the arrival of new technologies, manufacturers of these systems are having to look to their laurels.

Martin Howe, sales and marketing manager for projection eystems at Barco, the Belgian manufacturer, believes that CRT and LCD projectors will soon be just two of many alternatives available to consumers.

"Technology that has been in the labs for the past four or five years is starting to emerge," he says. "In three years' time, consumers will be faced with an incredible choice of projection technology. There could be five or 10 different ways of showing a large-screen image, each with its own pros and cons."

Barco's latest innovation is its Reality 9200, an ultra-high brightness graphics projector designed to deliver high resolution images in environments with a high level of ambient light. It uses LCD technology but employs extremely fast computing power to process 200m picture elements or "pixels," (the individual dots that make up the image), every second.

It can delivers ultra-high resolution graphics, to the best S-XGA computer resolution standards, plus moving pictures, but costs £95,000.

Meanwhile JVC, the Japanese electronics company, has turned traditional LCD projection technology on its head. In a conventional, "transmissive" LCD projector, a metal halide lamp shines a pure white light through a prism, which splits the light into its component colours. The resultant red, green and blue beams of light are targeted at three small LCD panels. The final colour image is combined by a series of mirrors and focused via a lens on to the projection screen.

In JVC's adaption of LCD technology, however, instead of shining light on to the back of the LCD panels, each panel acts like a mirror, or what JVC calls a D-ILA (direct drive light amplifier). Light from a 400W xenon lamp is shone on to three small LCD panels, which reflect 93 per cent of the light to create a bright picture, with a high contrast ratio.

Since the panels do not have to allow light to pass through, more pixels can be accommodated, without increasing the size of the panel and without any reduction in picture brightness. In fact, each LCD panel in JVC's first D-ILA projector houses 1,397,760 pixels, about twice as many as the norm.

The reflective LCD system promises exceptional resolution, equivalent to high-definition TV picture standards and better than the S-XGA computer standard.

The D-ILA system is an adaptation of technology developed by the Hughes JVC Technology Corporation, in which JVC is a majority shareholder. Hughes JVC developed a system of reflective projection using cathode ray tubes some years ago for its ILA (image light amplifier) range of Jetski projectors, so named because of their size.

JVC will launch its first D-ILA projector in Japan in December, with a US launch to follow in March and a European launch in June. The price will be between $15,000 and $20,000 (£8,875 and £11,834).

Nick Fletcher, product manager for JVC Professional Products in the UK, is enthusiastic about the technology's potential. "With projection, there always seems to be a price to pay," he says. "If you have the resolution and the brightness, you don't have affordability and portability. If you have price and portability, you don't have resolution and brightness. We're not saying this system is perfect, but for once, we don't seem to have had to make a major sacrifice in any one key area."

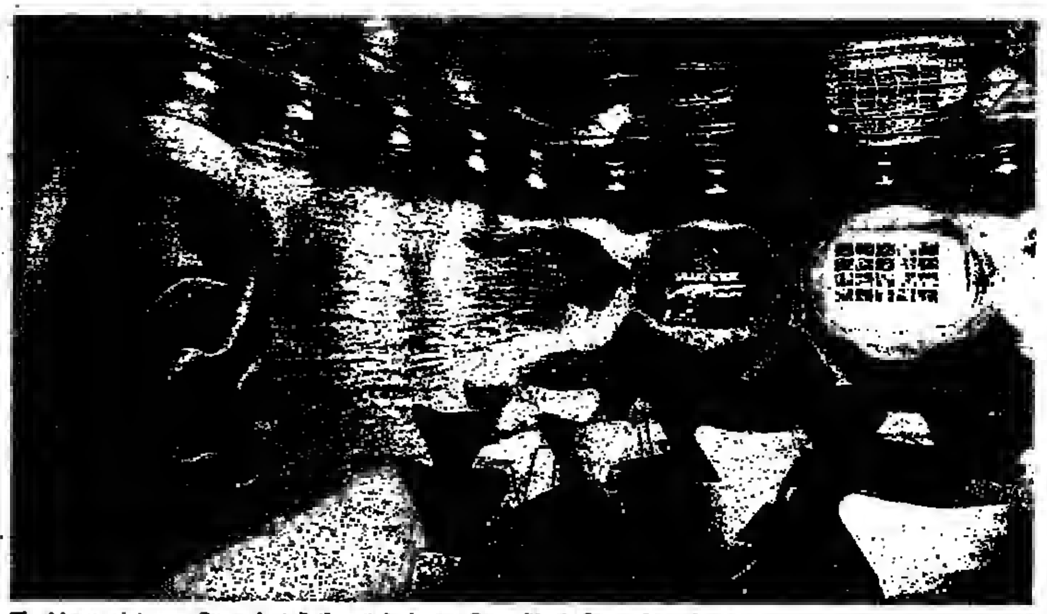
Another projection technology threatening the status quo is Texas Instruments' DMD (Digital Micromirror Device). In a DMD projector, a small microchip is home to several hundred thousand microscopic aluminium mirrors, which switch position in accord with a video signal. When a light source is ehone on to the surface of the mirrors, the reflection, focused through a projection lens, produces a brightly scanned video image.

DMD projectors produce a bright, high resolution image, with no pixellation – a sort of grid seen over the image, which can affect transmissive LCD projectors – as the micromirrors are so close to each other. The only drawbacks on first-generation models, which went on sale a year ago, was a relatively short lamp life of 250-500 hours, and the level of noise generated by the cooling fan used to compensate for the beat from the lamp.

But Peter-Paul Kolber, European product manager for the US company Proxima, which manufactures DMD projectors, says these issues are being addressed. The company's next DMD projector, for example, would offer a lamp life of more than 1,000 hours and would be able to match the high brightness of projectors using polysilicon LCD panels.

With other companies developing their own projection systems, using lasers and even holograms, there is no shortage of pretenders to the projection throne. So where does this leave the emerging flat-screen TV technologies, such as PDPs (plasma display panels), which are designed to hang on the wall like a painting?

"They're not even in the same ball park," says Steve May, who edits Home CinemaChoice, a magazine aimed at surround sound and large-screen TV enthusiasts. "A flat panel display is OK for anyone whose idea of a large-screen TV is 40 inches or so. With e projection system, you can watch a movie at home on a screen seven feet across. Now that'e what I call large."



The bigger picture: a Barco installation at Andersen Consulting's Smart Store in Windsor

Results while you wait

A new test will detect osteoporosis in minutes

A British company has developed a test which takes minutes to identify patients with a high risk of osteoporosis, the crippling disease that causes about 150,000 hip, wrist and vertebral fractures in the UK every year.

Deeside-based Cortecs Diagnostics says the test, called Osteosal, is the first that allows GPs to carry out on-the-spot checks for the disease.

The National Osteoporosis Society said the device could help family doctors detect the one in three post-menopausal women who develop osteoporosis but are rarely discovered in time to prevent fractures.

It involves the GP using the Osteosal to take a small sample of the patient's urine and feeding it into a hand-held diagnostic tool, called InstaQuant.

This checks for the level of a biomarker which is linked to osteoporosis when found in high quantities.

Once they have pinpointed women at high risk, GPs can prescribe drugs to prevent further bone loss.

The only way GPs can currently check for osteoporosis is to refer patients to hospital for DXA scans – which can be difficult to access and require specialist knowledge by radiographers.

Osteoporosis costs the NHS about £750m a year. One in five die after suffering a hip fracture.

Each sample kit will cost less than £15 and the hand-held InstaQuant is expected to be priced at "under £100".

Paul Thull, the company's marketing director, predicts the UK market could be substantial.

"We are trying to get an InstaQuant device into all 10,000 GP practices in the UK," he says.

"There are about 140 patients for every one of the country's 30,000 GPs who may be eligible for the test." The company is exploring promotional links with pharmaceutical firms that already produce osteoporosis treatments.

It hopes to persuade high street pharmacists to stock and carry out the test while patients wait. Patients would then consult their GP if the test showed they were at high risk of osteoporosis.

Sales in the UK and main European markets will begin in the next two months. But with the Food and Drug Administration yet to grant approval, it could be a year before the new test becomes available in the US.

"We are probably looking at a capacity for Osteosal of 1.5m-2m kits a year," says Mr Thull. "The InstaQuant is produced externally for us but output will be in the tens of thousands."

Pat Hagan

X-ray image: a deformed thoracic spine of a woman suffering from osteoporosis *Science Photo Library*

Catalysts for cleanliness

Chemists at the Leverhulme Centre for Innovative Catalysis in Liverpool and the French CNRS Institute for Research on Catalysis at Lyon have signed an agreement to set up the UK's first European Associated (EA) Laboratory for High Specificity Catalysis.

Their aim is to develop catalysts that improve the efficiency of processes by promoting a "clean" chemical reaction – minimising production of harmful waste, to bring environmental and financial benefits.

The collaboration will focus on three types of process. The first involves the oxidation of small chain hydrocarbons, obtained from fossil fuels, to more valuable compounds such as ecrylic acid – a building block for many plastics and pharmaceuticals. Incorporating vanadium and titanium-based catalysts into the reaction process can significantly reduce the amount of carbon monoxide and dioxide – the greenhouse gases – produced during these reactions.

The second is an attempt to address the depletion of the ozone layer to which CFCs are a main contributor.

A global ban of CFCs will come into effect in 2000. The EA Laboratory is involved in developing a new series of platinum and palladium bimetallic catalysts. These convert CFCs to their hydrogenated form, HCFCe, which decompose before they reach the stratosphere.

Catalysts also play a crucial role in the manufacture of drugs. These contain much more complex compounds which usually exist in two forms. Although seemingly identical, these are in fact mirror images of each other – chiral isomers. Usually only one of these isomers is the active drug agent. The other may be totally inactive or prove harmful to the patient.

The third aim of the EA Laboratory, therefore, is to understand the mechanisms for producing chiral compounds so a catalyst can be developed which results only in formation of the desired chiral isomer.

"Catalysts are involved in 80 per cent of the chemical processes carried out in the UK," says Professor Eric Derouane, director of the Leverhulme Centre. "At the EA Laboratory, therefore, we intend to continue working very closely with industry by building on the Leverhulme Centre's Industrial Affiliate Scheme."

The founders of the scheme 10 years ago – BP, ICI, Johnson Matthey and British Gas – still provide expertise and financial support for the centre's projects.

Carol Kiely

THE PROPERTY MARKET

Norma Cohen on the strategy of a US company moving into Europe

The secret of success

Security Capital US Realty, in Europe at least, is a name for cognoscenti. It may not be much longer. With the assistance of UK brokers Cazenove, the company plans to seek a London listing in the third quarter of next year.

Earlier this week, the company said the Luxembourg-based, Amsterdam-listed vehicle would seek to raise an unspecified amount of equity capital with the assistance of Goldman Sachs. This equity-raising exercise – expected to raise about $150m – will be its last until its London listing.

Security Capital Group, the company that spawned the European vehicle in which it holds a 31.6 per cent stake, is one of the largest and fastest growing publicly traded US property companies.

Jeffrey Cozad, chief executive of Security Capital US, says the company, which pays no dividends, intends to achieve capital growth for shareholders of 15 to 20 per cent a year. It plans to do this by taking large stakes in mostly publicly traded US Real Estate Investment Trusts (Reits) and applying its particular management philosophy to them.

The company'e initial offering of shares was floated in Amsterdam in July 1996 at $11.44 a share and is now trading at $14.50, an increase of 26.7 per cent. This values the vehicle at $2.3bn.

At present, the shares offer investors a play only on the US property market. However, the company says it would like to apply its basic management strategy to the European property market as well, and hopes eventually to launch a European entity.

The New Mexico-based Security Capital Group was founded by William Sanders, a 55-year-old, soft-spoken American. After analysing the US corporate restructuring of the 1980s, Mr Sanders concluded that the real estate industry had to change along similar lines. "First, it became obvious that the ownership structure had to change. There was no liquidity and no real-time pricing."

Real estate investment and management had to be subjected to shareholder scrutiny. "The discipline of the marketplace forces greater efficiency and better management," he says. And, indeed, US property is moving into public ownership from privata, as the Reits market has expanded to more than $120bn from roughly $10bn in 1990.

But more important, Mr Sanders says, real estate companies had to understand what makes a company successful. The group identified US companies such as Wal-Mart, Intel and J.P. Morgan, which had become market leaders in their field. Real estate companies would have to put the same investment into research and development, customer service, distribution, branding and marketing.

To this end, he says, they would have to rethink their understanding of who their clients ware. They would have to transform themselves from investment companies into operating companies. "In the early 1970s and 1980s, the real estate companies thought their customers were the institutional funds," says Mr Sanders.

Developers gava little thought to servicing the needs of occupiers, he says. They allowed the capital providers to control their investments. Much of the group's research efforts, therefore, have gone into building relationships with the 1,000 largest US companies to understand their property needs.

Moreover, he says, traditional real estate companies spent too little on research. Security Capital has invested heavily in mid-range rental apartment buildings.

"Upper middle-class housing is more attractive to the institutional investor," Mr Sanders notes, but the greatest costs to investors occur when a tenant vacates a property. The company's research found that uppur middle-class tenants stayed an average of seven to nine months, "bnt moderate income renters stay 20 to 25 months".

Wal-Mart's strategy of catering to the middle market could also be profitable for real estate industry, Security Capital conclnded. "In the US, you can make a lot more money catering to 75 per cent of the market than to 20 per cent of the market," Mr Sanders says.

The company aims to develop real estate products catering to mass markets. "Yon shape a product the same way that Procter & Gamble shapes a product," he says.

The branding of the Security Capital product is in the delivered service, rather than the form of the real estate, he argues. A tenant who is happy with the Security Capital "brand" will buy it again. That is why the company does not pay cash in dividends but reinvests in expansion. Only through the ability to offer customers a wide range of suitable products can you really become the Wal-Mart or J.P. Morgan of real estate, Mr Sanders says.

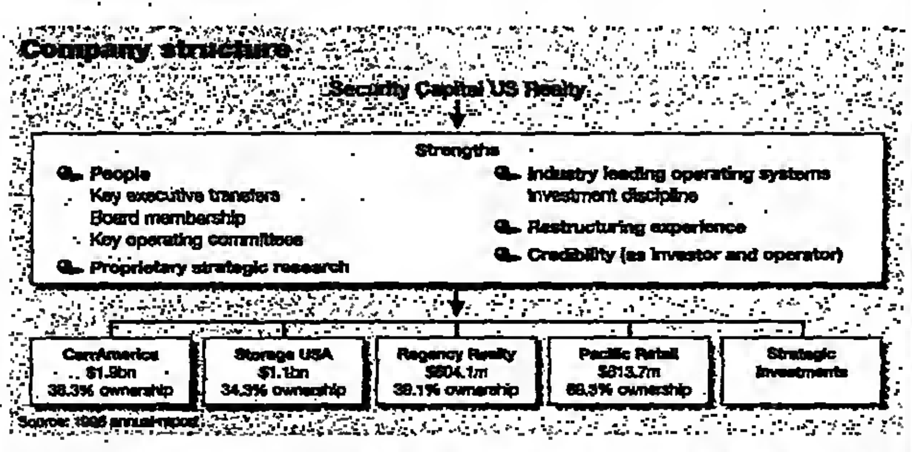
Security Capital's strategy is to take large stakes – sometimes of more than 50 per cent – in real estate companies in niche sectors of the market where restructuring is under way. It then acts both as investor and strategist, using its extensive research and development facilities to refocus the company. A number of these investments are in private companies for which Security Capital will ultimately seek a partial flotation.

Mr Sanders says he believes his formula in US property will also work in the UK and Europe. He is not deterred by the rigid leasehold structure in the UK that binds tenants to a landlord regardless of how happy they are with the service.

However, creating a customer-driven ethos in the UK is a tall order. In the US, the company was built during the depths of a recession where properties were for sale at a fraction of their true value. Property values in the UK are rising, and landlords are determined to lock tenants into long-term leases with upward-only rent reviews.

But Mr Sanders remains confident. "It's going to be crackad exactly as it was cracked in the US," he says.

Company structure



Source: 1996 annual report

INTERNATIONAL CAPITAL MARKETS

Gains underpinned by Wall St

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

Government bond markets edged higher yesterday in nervous trading as volatility in Japanese government securities kept activity low. A firm tone on Wall Street underpinned the gains, however.

A new round of buying sent US TREASURY prices higher by midday. The benchmark 30-year Treasury bond rose ¼ to 101 7/16, yielding 6.016 per cent.

Shorter-term issues were more mixed, with the 10-year note up 3/32 to 102 11/32, yielding 5.797 per cent, while the two-year note was down 1/32 to 99 25/32, yielding 5.692 per cent. The Federal Funds rate was 5½ per cent.

The 30-year bond yield continued to drift near the 6 per cent yield level. "It is looming up above us, and it seems that we are going to test that level either today or tomorrow," said Tom O'Connell, senior government trader at First Chicago Capital Markets.

Anticipation of new supply of two-year notes has flattened the yield curve, the difference between the spreads of the two-year note and 30-year bond. The yield spread yesterday was just above 32 basis points.

Economic reports released in the morning focused on trade and unemployment insurance claims. The September trade deficit widened to $11.1bn, from a revised $9.5bn in August. Initial jobless claims rose 20,000 to 333,000 for the week ending November 15, a stronger rise than expected.

GERMAN BUNDS were stronger but kept to a narrow range, with the December contract settling at 103.50, up 0.26 in moderate futures trading.

Earlier the contract failed to maintain a break above that level, even after the Bundesbank made no change to its interest rates at its regular council meeting.

ITALIAN BTPs continued to move higher as the market looked forward to good preliminary November inflation figures from the main cities.

The consensus forecast is for inflation to come in at 1.7 per cent, and this is now well priced into BTPs at current levels, analysts said.

The December BTP future settled in London 0.41 higher at 113.27, while the spread over 10-year bunds fell to 50 basis points.

Expectations of an interest rate cut by the Bank of Italy continued, although there is some disagreement over its timing.

Analysts at ABN Amro Hoare Govett suggested the end of the year remained the most likely because of the necessity of final approval of next year's budget and the possibility that the central bank may wait until preliminary inflation figures for December are available next month.

UK GILTS bounced up with bunds, with economic growth data suggesting another interest rate rise was less likely this year than in 1998. The December future settled up ¾ at 118 29/32 in moderate volumes.

Sweden opts for fixed rate

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

The Kingdom of Sweden yesterday tried its luck in the fixed-rate dollar market and found it alive and kicking. Traders said the response to the $500m offering was strong, with healthy demand coming from both Europe and Asia.

The deal, priced to yield 30 basis points over five-year US Treasuries, was seen as the first widely-pitched fixed-rate eurobond offering since a crisis hit the markets four weeks ago.

"This shows there is new demand out there for reasonably priced high-quality issues," said an official at ABN-Amro, lead manager, in London. "We estimate that about 90 per cent of demand was new money rather than switched money."

Bankers added that Sweden had been persuaded to come to the market after seeing the strength of order books for recent smaller fixed-rate dollar offerings.

Sweden had also taken heart from the spread tightening on other AA and AAA dollar deals in the past few weeks.

The recent European Investment Bank deal, for example, has tightened from a spread of over 35 basis points to around 18 points. Similarly, a recent World Bank issue has narrowed to a spread of around 17 basis points from 20 points.

Around 20 per cent of Sweden's distribution went to Asian central banks and a further 20 per cent went to Swiss funds and some retail buyers, officials said.

INSTITUTO DE CREDITO OFFICIAL, Spain's development agency, yesterday returned to the dollar sector after a year's absence with a new direct, irrevocable and unconditional guarantee from the government.

This resulted in a zero risk weighting in several countries, including Germany, which means banks buying the paper do not have to set capital aside. Lead managers HSBC and Lehman Brothers said this made the issue popular among central banks, fund managers and supranational institutions.

They also said that although the pricing was "tight" at a re-offered margin of 7 basis points under Libor, the issue was oversubscribed and tightened slightly after the launch.

As a result of the guarantee, the borrower's credit ratings for foreign currency debt are identical to Spain's sovereign ratings – AA by Standard & Poor's and Aa2 by Moody's.

Bankers said floating-rate note issues by sovereign borrowers had proved resilient in the face of last month's market turmoil as investors turned to defensive instruments with reduced credit and interest rate risk.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MMCCT II, 97-N, Cls A(a)‡	765	(a1)	100.00R	Nov 2000	0.225R	-	Merrill Lynch
MMCCT II, 97-N, Cls B(a)‡	87.5	(a2)	100.00R	Nov 2000	0.25R	-	Merrill Lynch
Kingdom of Sweden	500	6.125	99.831R	Dec 2002	0.25R	+30(5%Oct02)	ABN Amro Hoare Govett
Instituto Credito Oficial‡	500	(b)	99.738R	Dec 2002	0.15R	-	HSBC/Lehman Brothers
Goldman Sachs Group(c)‡	300	(c1)	99.893R	Dec 2002	0.20R	-	Goldman Sachs
NSW Treasury Corp	155	5.678#	100.00	Nov 1998	0.1875	-	Merrill Lynch
State Bank of NSW‡	100	(d1)	99.99R	Dec 1998	0.05R	-	Nomura International
D-MARKS							
Merrill Lynch Intl & Co(e)	250	zero	100.00	Dec 2005	3.00	-	Merrill Lynch
YEN							
Kommuninvest(f)★	16bn	4.00(s)	100.00	Mar 2002	0.15	-	Daiwa Europe
NTT Mobile Comms(g)★	10bn	1.80	100.00	Dec 2002	0.25	-	DKB International
STERLING							
Mercury EPT(h)‡	75	(h1)	99.90R	May 2004	0.30R	-	SBCWDR
SWISS FRANCS							
France Telecom	200	3.25(s)	102.15	Jun 2003	2.00	-	CSFB
Siemens Finance(j)	150	3.25	102.80	Dec 2002	2.00	-	UBS
ITALIAN LIRE							
Itaca No 1(k)‡	279.27bn	-	100.00R	-	-	-	Paribas
World Bank‡	200bn	(m,s)	99.75R	Jul 2008	0.05R	-	BCI/Cariplo/Citibank/JPM

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) MBNA Master Credit Card Trust. Legal maturity: 15/11/02. a1) 3-mth Libor +7bp. a2) 3-mth Libor +23bp. b) 3-mth Libor −12.5bp. c) Callable from Dec 1999 at par. c1) 3-mth Libor +35bp. d1) 3-mth Libor −12½bp. e) Redemption linked to German top 12 total return index. Puttable from Dec 2000. f) Redeemed in US$. g) Short 1st & 2nd coupons. h) European Privatisation Trust. Callable from Nov 99 at 100¼ and from Nov 99 at par. h1) 3-mth Libor +25bp. j) SFr200m launched 19/11 increased to SFr350m. k) 4-tranche asset-backed deal. m) 11.65% to Jul 99, then 16% −2 x 12-mth Libor. s) Short 1st coupon

Slovakian steel group to issue eurobond

By Kevin Done, East Europe Correspondent

VSZ of Slovakia, one of the leading east European steel producers, is planning to make its first eurobond issue towards the end of the first quarter next year.

The company aims to raise $240m through the 10-year issue, for which Chase Manhattan and ING Barings would be appointed joint lead managers.

The current turbulence in emerging market debt could delay the deal, however, or force VSZ to use a shorter maturity, analysts warned.

Spreads on Slovak debt have widened significantly during the second half of the year and Moody's, the US credit rating agency, said earlier this month its outlook for Slovakia's foreign currency country ceiling for bonds was "deteriorating".

The tougher climate for emerging market debt in general has also persuaded the Republic of Slovakia to delay its planned benchmark debut dollar eurobond issue, for which Nomura is the lead manager, until conditions improve.

Slovakia is currently rated Baa3 by Moody's, the lowest investment grade, and has the equivalent BBB – rating from Standard & Poor's and IBCA, the other leading international ratings agencies.

VSZ is planning to use the proceeds from its bond issue to restructure existing debt and to fund part of its capital expenditure programme, which includes raising its capacity for producing sheet steel for the car industry to 380,000 tonnes by 2001 from an expected output this year of 228,000 tonnes.

CAPITAL MARKETS NEWS DIGEST

Saudi oil venture to raise $2.2bn

Saudi Yanbu Petrochemical Company (Yanpet), a joint venture between Saudi Basic Industries (Sabic) and Mobil, the US oil company, has signed a $2.2bn loan facility with a consortium of 28 Arab and international banks, including 11 arrangers and 17 co-arrangers.

The deal is the largest financing for a petrochemical complex and the largest bank facility for a non-sovereign borrower in the Gulf.

Officially launched in July, the deal is now in general syndication, which is expected to close on November 28. The facility was priced at 52.5 basis points over Libor during the construction period, which is expected to last three years. The margin falls to 50 basis points for the remaining seven years. During construction, the borrowers have undertaken to cover cost overruns.

The Yanpet loan facility follows the launch earlier this month of a $4.3bn syndication guaranteed by the kingdom to finance the purchase by Saudia, the troubled airline, of 61 Boeing and McDonnell Douglas aircraft.

Sabic, the giant Saudi conglomerate 70 per cent owned by the government, has embarked on about 50 planned expansion projects to raise production substantially. These include doubling Yanpet's production capacity by 2000.

The Yanpet joint venture, which was established in 1980, is one pillar of the expansion scheme. Yanpet came on stream in 1985 with a 800,000 metric tonnes a year ethylene cracker and polyethylene plants. Proceeds from the loan will be used to double capacity and build new plants.

Local arrangers of the facility are Riyadh Bank, Arab National Bank, Saudi American Bank, Saudi British Bank and Gulf International Bank. The foreign banks in the syndicate are ANZ, Bank of America, Barclays, Chase, J. P. Morgan and Sumitomo.

Roula Khalaf and Samer Iskandar

■ INITIAL PUBLIC OFFERING

Arab Insurance oversubscribed

An initial public offering of shares by Arab Insurance Group, the Arab world's largest insurance company, was five times subscribed, the arrangers said yesterday.

"Total demand for the offering amounted to approximately $1.25bn, which is more than five times [the Arab tranche]," said National Bank of Kuwait and National Commercial Bank of Saudi Arabia. Demand came from 16,000 investors in 11 Arab countries, they added.

Arig was seeking to raise $290m by selling 181.8m shares, of which 145.8m were sold to Arab investors. The rest was distributed in Europe.

The company was founded in 1980 by the governments of Kuwait, Libya and the United Arab Emirates, which held equal stakes. The IPO reduces their combined holding to 49.5 per cent.

The European shares will be listed on the London Stock Exchange and the Arab tranche will trade on several exchanges in the region.

Reuters, Kuwait

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 20	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.5499	5.00	+0.01	−0.04	+0.07	−1.29
	10/07	10.000	130.0207	5.90	-	−0.09	−0.37	−1.16
Austria	09/99	7.000	104.2500	4.50	−0.02	−0.13	−0.26	+0.86
	07/07	5.625	100.2700	5.58	−0.03	−0.12	−0.16	−0.30
Belgium	04/99	7.000	103.6000	4.32	−0.02	−0.10	−0.28	+0.87
	03/07	6.250	104.3100	5.64	−0.02	−0.12	−0.16	−0.34
Canada	03/99	4.000	99.8200	4.14	-	+0.19	+0.13	+0.29
	06/07	7.250	113.3000	5.42	-	-	−0.28	−0.69
Denmark	12/99	6.000	102.4000	4.74	−0.02	−0.10	−0.29	+0.41
	11/07	7.000	107.5000	5.98	−0.03	−0.16	−0.16	−0.80
Finland	01/99	11.000	107.2900	4.28	-	−0.13	−0.04	+0.39
	04/06	7.250	109.8630	5.73	+0.01	−0.06	−0.11	−0.70
France	11/99	7.000	104.9300	4.33	−0.03	−0.11	−0.31	+0.62
	10/04	6.750	108.6800	5.22	−0.04	−0.13	−0.24	−0.10
	10/07	5.500	100.0200	5.50	−0.03	−0.13	−0.23	−0.33
	10/25	6.000	99.2700	6.05	−0.05	−0.15	−0.19	−0.71
Germany	06/99	3.500	98.9400	4.20	−0.02	−0.09	−0.30	+0.65
	07/04	6.750	108.1300	5.26	−0.03	−0.10	−0.22	−0.24
	07/07	6.000	103.6300	5.50	−0.03	−0.12	−0.20	−0.31
	07/27	6.500	105.4900	6.09	−0.05	−0.13	−0.15	−0.64
Ireland	04/99	6.250	101.2000	5.28	−0.11	−0.22	−0.38	−0.63
	08/06	8.000	113.6500	5.95	−0.04	−0.17	−0.17	−0.80
Italy	05/00	6.000	101.9400	5.15	−0.04	−0.24	−0.28	−1.27
	05/02	6.250	103.1200	5.45	−0.05	−0.23	−0.24	−1.33
	07/07	6.750	108.1000	5.91	−0.05	−0.23	−0.21	−1.71
	11/26	7.250	110.6000	6.44	−0.05	−0.24	−0.16	−1.69
Japan	06/99	4.800	106.8800	0.39	-	−0.02	−0.10	−0.49
	12/02	4.800	117.2700	1.27	+0.01	+0.06	−0.02	−0.70
	09/05	3.000	108.7400	1.80	+0.03	+0.12	+0.01	−0.81
	03/17	3.500	112.9500	2.64	+0.05	+0.17	+0.04	−0.72
Netherlands	06/00	7.500	104.6200	4.34	−0.02	−0.10	−0.22	+0.76
	02/07	5.750	101.9000	5.48	−0.03	−0.13	−0.21	−0.28
New Zealand	02/00	6.500	99.1134	6.93	+0.04	−0.01	+0.09	−0.05
	11/00	8.000	109.1534	6.61	-	−0.02	−0.05	−0.56
Norway	01/99	9.000	105.1700	4.40	−0.01	−0.16	−0.20	−0.45
	01/07	6.750	107.4500	5.66	−0.03	−0.13	−0.16	−0.84
Portugal	03/99	8.500	104.4897	4.89	−0.03	−0.21	−0.27	−1.48
	02/07	6.625	105.0953	5.89	−0.04	−0.13	−0.17	−1.16
Spain	07/99	7.400	104.2700	4.67	−0.03	−0.14	−0.35	−1.39
	03/07	7.350	110.7470	5.82	−0.03	−0.15	−0.20	−1.35
Sweden	01/99	11.000	106.4020	5.12	-	-	−0.05	−0.28
	08/07	8.000	112.5750	6.23	−0.04	−0.14	−0.13	−1.04
Switzerland	03/99	4.000	102.4700	2.04	-	−0.04	−0.09	−0.21
	06/07	4.500	107.9300	3.51	−0.05	−0.17	−0.12	−0.38
UK	08/99	6.000	98.2969	7.09	−0.05	−0.12	+0.15	+0.28
	11/04	6.750	100.6563	6.63	−0.07	−0.22	−0.02	−0.73
	12/07	7.250	105.3750	6.51	−0.09	−0.23	+0.09	−0.98
	06/21	8.000	118.5859	6.45	−0.08	−0.16	−0.10	−1.28
US	07/99	5.875	100.2270	5.73	+0.02	-	−0.18	+0.07
	05/04	7.250	107.6950	5.81	−0.03	−0.09	−0.34	−0.10
	08/07	6.125	102.4060	5.80	−0.01	−0.09	−0.34	−0.33
	08/27	6.375	104.3630	6.05	−0.02	−0.10	−0.37	−0.36
ECU	03/08	5.000	106.4000	4.66	−0.02	−0.11	−0.17	+0.43
	04/07	5.500	98.6600	5.65	−0.04	−0.15	−0.22	−0.53

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 20	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.90	+0.40	−0.10	New Zealand	6.61	+1.11	+0.81
Austria	5.58	+0.08	−0.22	Norway	5.68	+0.18	−0.12
Belgium	5.64	+0.14	−0.16	Portugal	5.89	+0.39	+0.09
Canada	5.42	−0.08	−0.38	Spain	5.82	+0.32	+0.02
Denmark	5.98	+0.48	+0.18	Sweden	6.23	+0.73	+0.43
Finland	5.73	+0.23	−0.07	Switzerland	3.51	−1.99	−2.29
France	5.50	-	−0.30	UK	6.51	+1.01	+0.71
Germany	5.50	-	−0.30	US	5.80	+0.30	-
Ireland	5.95	+0.45	−0.15	ECU	5.65	−0.15	−0.15
Italy	5.91	+0.41	+0.11				
Japan	1.80	−3.70	−4.00				
Netherlands	5.48	−0.02	−0.32				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 20	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	95.8471	8.17	−0.03	+0.62	+2.42
Poland	07/00	7.750	BBB−	102.8581	6.51	−0.10	−0.14	+0.80
Russia	11/01	9.250	BB−	92.3841	11.74	−0.05	+3.72	+6.01
LATIN AMERICA								
Argentina	01/17	11.375	BB	101.9000	11.12	−0.08	+1.81	+5.21
Brazil	11/01	8.875	BB−	97.5320	9.65	−0.15	+1.66	+3.92
Mexico	01/07	9.875	BB	101.7457	9.58	-	+0.96	+3.78
ASIA								
China	07/06	7.750	BBB+	104.6589	7.00	−0.01	−0.07	+1.21
Philippines	10/16	8.750	BB+	85.7492	10.38	-	+1.53	+4.48
Thailand	04/07	7.750	A−	86.8763	9.95	+0.12	+1.80	+4.15
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB−	102.2313	8.15	−0.10	+0.34	+2.42
South Africa	12/99	9.625	BB+	104.6849	7.13	+0.03	+0.27	+1.45
Turkey	05/02	10.000	B	100.3545	9.90	−0.42	+1.41	+4.15
BRADY BONDS								
Argentina	03/23	5.500	BB	69.2446	9.09	−0.03	+0.76	+3.10
Brazil	04/24	5.250	BB−	67.5091	9.20	−0.27	+0.78	+3.21
Mexico	12/19	6.250	BB	77.9712	8.47	−0.10	+0.54	+2.54
Venezuela	03/20	6.750	B+	83.9813	8.34	−0.10	+0.26	+2.40

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	99.68	99.88	+0.20	99.88	99.66	75,934	104,176
Mar	99.12	99.34	+0.22	99.30	99.12	7,402	23,760
Jun	98.54	98.76	+0.22	98.54	98.54	2	12

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Jan	Calls Mar	Puts Dec	Puts Jan	Puts Mar
98	1.27	1.02	1.46	0.07	0.34	0.79
99	0.64	0.69	1.16	0.14	0.51	0.96
100	0.47	0.44	0.91	0.27	0.76	1.22
101	0.22	0.26	0.68	-	-	-
102	0.09	0.14	0.51	0.86	-	-

Est. vol. total, Calls 19,456 Puts 13,120. Previous day's open int., Calls 69,935 Puts 43,848.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.28	103.50	+0.26	103.57	103.23	152710	261345
Mar	102.54	102.80	+0.26	102.80	102.54	8329	20274

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
10350	0.10	0.27	0.48	0.69	0.10	0.97	1.19	1.39
10400	0.01	0.14	0.32	0.51	0.51	1.34	1.52	1.71
10450	0	0.07	0.20	0.37	1.00	1.77	1.90	2.07

Est. vol. total, Calls 29819 Puts 27620. Previous day's open int., Calls 247825 Puts 298590

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.80	103.92	+0.09	103.93	103.74	84,203	230,282
Mar	102.08	103.24	+0.10	103.24	103.06	4,021	42,891

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.95	113.27	+0.41	113.39	112.91	79669	121072
Mar	113.35	113.66	+0.44	113.70	113.30	6036	10160

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11300	0.27	1.53	0	0.87
11350	0	1.23	0.23	1.07
11400	0	0.97	0.73	1.31

Est. vol. total, Calls 3958 Puts 2847. Previous day's open int., Calls 118861 Puts 122212

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	104.40	104.65	+0.29	104.69	104.35	66,883	101,006
Mar	103.95	104.19	+0.22	104.14	103.93	4,586	3,846

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118-07	118-29	+0-24	119-00	118-05	80015	148643
Mar	118-19	119-08	+0-24	119-13	118-19	10778	34391

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
118	0-60	1-49	2-05	2-23	0-02	0-31	0-51	1-05
119	0-09	1-07	1-32	1-48	0-15	0-53	1-14	1-30
120	0-01	0-41	1-02	1-17	1-07	1-23	1-48	1-63

Est. vol. total, Calls 3478 Puts 6418. Previous day's open int., Calls 77701 Puts 32548

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.70	98.84	+0.22	98.84	98.68	1,167	7,595

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	119-12	119-04	−0-07	119-12	118-31	372,119	554,419
Mar	119-03	118-30	−0-06	119-03	118-24	12,014	154,397
Jun	118-17	118-19	−0-06	118-19	118-17	198	13,990

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	128.64			128.70	129.30	5797	n/a
Mar	128.96			128.96	128.56	2545	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Nov 19	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	104.0758	6.21	−0.03	−0.24	+0.45
NY Tel	08/25	7.00	A+	98.8882	7.10	−0.04	−0.21	+1.08
CWE	05/08	8.00	BBB	109.1439	8.76	−0.04	−0.26	+0.96
FINANCIALS								
GECC	05/07	8.75	AAA	116.8953	6.37	−0.04	−0.25	+0.57
Banc One	08/02	7.25	A+	103.8887	6.27	−0.03	−0.24	+0.51
US West	01/07	7.30	BBB+	102.9591	6.85	−0.04	−0.11	+1.05
INDUSTRIALS								
WMX Tech	04/99	6.25	A−	99.8887	6.32	−0.01	+0.15	+0.66
Wal Mart	05/02	6.75	AA	102.2137	6.17	−0.03	−0.22	+0.41
Dayton Hud	06/21	9.70	BBB+	129.2456	7.12	−0.04	−0.27	+1.10
AGENCIES								
FHLMC	04/07	7.14	N/A	107.2945	6.10	−0.04	−0.31	+0.30
SLMA	03/00	7.50	N/A	103.5423	5.82	−0.01	−0.21	+0.12
FNMA	02/18	8.95	N/A	128.4140	6.42	−0.04	−0.39	+0.40
FFCB	06/06	8.95	N/A	116.6231	6.11	−0.04	−0.29	+0.31
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.7500	0.00	-	-	-
AK Stl	12/01	8.13	BB−	103.7500	0.00	-	-	-
Pacalta	06/04	10.75	B−	98.2500	0.00	-	-	-

New York closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	8½	One month	-	Two year	5.71
Broker loan rate	7¼	Two month	-	Three year	5.74
Fed.funds	5½	Three month	5.27	Five year	5.79
Fed.funds at intervention	-	Six month	5.38	10-year	5.83
		One year	5.46	30-year	6.03

INTERNATIONAL BONDS

Nov 20	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	101.3600	5.56	−0.04	−0.19	+0.05
Spain	01/07	5.750	AA	100.7200	5.64	−0.05	−0.21	+0.14
Philip Morris	03/04	6.375	A	98.5900	5.64	−0.03	−0.25	+0.36
ABN Amro FRN	03/05	5.625	n/a	98.6245	5.51	−0.03	−0.24	+0.14
EURO FFR								
Austria	01/04	6.500	AAA	101.3800	5.24	−0.03	−0.25	+0.02
Abbey Nat	02/04	6.000	AA	103.4900	5.32	−0.08	−0.23	+0.10
Cred Foncier	02/04	9.125	A	117.7500	5.66	−0.03	−0.17	+0.44
Abbey Nat FRN	09/06	4.510	n/a	101.2477	4.34	−0.04	−0.22	−1.06
EURO LIRA								
EIB	02/07	7.000	AAA	107.8400	5.87	−0.05	−0.18	−0.04
Abbey Nat	02/02	6.800	AA	104.5500	5.56	−0.05	−0.20	+0.11
Walt Disney	06/00	8.625	n/a	107.1200	5.55	−0.06	−0.34	+0.40
Abbey Nat FRN	03/07	8.000	AAr	103.9827	6.86	−0.03	−0.13	+0.97
EURO £								
EIB	12/07	7.625	AAA	105.1188	6.90	−0.09	+0.05	+0.39
Dresdner Bk	12/07	7.750	AA−	103.0446	7.31	−0.09	+0.07	+0.80
RBS	01/07	8.375	A+	105.8164	7.47	−0.08	+0.12	+0.96
Abbey Nat FRN	02/02	7.830	AA	100.0632	6.74	−0.09	+0.01	-
EURO $								
EIB	04/07	7.250	AAA	107.0489	6.23	+0.01	−0.34	+0.43
ABN Amro	06/07	7.125	AA−	104.0327	6.55	−0.04	−0.11	+0.75
Quebec	01/07	7.000	A+	103.1248	6.54	+0.02	−0.24	+0.74
Citicorp FRN	02/04	5.781	A+	99.7460	5.83	−0.02	−0.01	+0.06
EURO C$								
Bayer L−Bk	08/04	9.500	AAA	120.8500	5.67	+0.02	−0.13	+0.14
Toronto	05/04	8.500	AA+	115.4511	5.59	+0.01	−0.21	+0.06
Bell Canada	07/99	10.625	A+	108.8680	4.85	+0.01	−0.07	+0.02
Deutsche B FRN	09/02	5.875	AAA	101.9418	5.41	+0.01	−0.02	+0.05
EURO YEN								
World Bank	03/02	5.250	AAA	117.5000	1.09	+0.05	−0.04	+0.02
Spain	03/02	5.750	AA	119.5000	1.11	+0.02	−0.10	+0.04
Cred Foncier	03/02	4.750	A	114.3577	1.56	-	−0.06	+0.49
Italy FRN	07/99	0.594	AA	100.4005	0.19	-	+0.07	−0.20

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Nov 20	Day's change %	Wed Nov 19	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	119.45	0.20	119.21	2.22	9.47
2 5-15 years (20)	157.87	0.54	157.02	3.30	9.73
3 Over 15 years (4)	191.04	0.79	189.54	4.81	9.77
4 Irredeemables (4)	226.89	1.37	223.83	0.76	14.48
5 All stocks (47)	150.83	0.47	150.12	3.14	9.87
Index-linked					
6 Up to 5 years (2)	210.34	0.06	210.21	0.83	6.09
7 Over 5 years (10)	212.61	0.22	212.14	1.24	5.76
9 All stocks (12)	211.29	0.20	210.86	1.19	5.76

UK Indices

	Low coupon yield Nov 20	Nov 19	Yr. ago	Medium coupon yield Nov 20	Nov 19	Yr. ago	High coupon yield Nov 20	Nov 19	Yr. ago
5 yrs	6.69	6.77	7.18	6.80	6.88	7.23	6.82	6.90	7.28
15 yrs	6.50	6.59	7.66	6.51	6.59	7.66	6.60	6.69	7.68
20 yrs	6.50	6.59	7.76	6.49	6.56	7.72	6.60	6.68	7.74
Irred.†	6.80	6.89	7.81						

	Inflation 5% Nov 20	Nov 19	Yr. ago	Inflation 10% Nov 20	Nov 19	Yr. ago
Up to 5 yrs	3.27	3.28	3.19	2.51	2.82	2.43
Over 5 yrs	3.19	3.19	3.49	2.96	2.98	3.30

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 20	Nov 19	Nov 18	Nov 17	Nov 14	Yr ago	High*	Low*
Govt. Secs. (UK)	100.05	99.44	99.16	99.42	99.42	94.59	101.83	93.31
Fixed Interest	131.98	130.59	130.56	130.58	131.22	118.76	133.54	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Treas 10pc 2003		8.67	6.75	115½		117⅛	111⅞
Treas 11½pc 2001-4		10.16	6.58	113⅜			
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
Index-Linked							
2½pc '99		2.94	3.52				
[illegible]							

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
[illegible]							

● 'Tap' stock. [illegible]

شكرا من الاهل

Saudi oil venture to raise $2.2bn

CURRENCIES AND MONEY

Won hits new low against US dollar

MARKETS REPORT

By Richard Adams

The South Korean won suffered another day of turmoil, plumbing a new low against the US dollar amid reports that an international rescue fund would cost up to $100bn.

The won yesterday fell by its daily limit to a new low of 1139 won to the dollar, only 15 minutes after the start of trading. It had closed at 1035.5 won on Wednesday.

The sharp drop came on the first day after the South Korean government expanded the won's daily trading band against the dollar to 10 per cent, from 2.25 per cent. The country's main stock index also closed lower.

The Malaysian ringgit also dived against the dollar, on news that the stock market had plunged by 11 per cent when the government announced its take-over of a $4.5bn dam project. The ringgit closed in London at M$3.5350, down by 1.25.

The Japanese yen was hurt by the performances of the ringgit and the won. The yen failed to get expected support from reports that public funds would be used bail out its banking sector, or by a larger than expected trade surplus in merchandise for October, of Y1,108bn.

Against the dollar, the yen bounced back from its five-year low on Wednesday, to Y126.88 in Europe. But it weakened slightly against sterling.

Sterling was one of the main beneficiaries of the day's activity, with confirmation that GDP grew by an annual rate of little below 4 per cent in the third quarter. The pound was further boosted by a forecast from the Confederation of British Industry, which predicted sterling would remain around its current levels during 1998.

Sterling's trade-weighted index gained a full point on the day, to 104, having previously closed at 103. It gained almost a pfennig against the D-Mark, and half a cent against the dollar.

The dollar was largely unmoved by a higher than expected September trade deficit of $11.07bn, up from a revised $9.46bn deficit in August. Analysts' forecasts pointed to a $9.9bn shortfall.

The Philadelphia Fed's main business index dipped to 10.1 in November from 11.5 in October, also out of line with expectations.

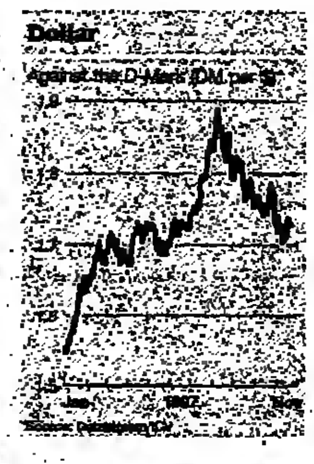
■ Pound in New York

Nov 20	—Latest—	– Prev. close –
£ spot	1.6935	1.6910
1 mth	1.6911	1.6885
3 mth	1.6862	1.6834
1 yr	1.6655	1.6612

■ An IMF rescue package for South Korea could total as much as $100bn, the centre for Asian studies at the Japan Research Institute in Tokyo estimated yesterday.

Dollar

Against the D-Mark (DM per $)



Source: Datastream/ICV

And the further the won falls, the higher the eventual cost to the country.

South Korea is said to have about $70bn of external debt maturing within the next year. Between $20-30bn in private sector debt is estimated to mature before the end of this year. South Korea's external reserves are thought to be less than half of the $30bn declared at the end of last month.

Marc Chandler, at Deutsche Morgan Grenfell in London, said similar falls were expected today, which would take to won to near 1243 against the dollar.

Japan has a direct interest in propping up the region's currencies. Japanese companies exported Y1,5900bn to South Korea in the first half of this fiscal year, or 15 per cent of Japan's Asian export market. Its direct investments in Indonesia total Y272bn, as well as Y158bn in Thailand and Y46.8bn in South Korea.

■ The Confederation of British Industry, the group of UK manufacturers, said it expects to see only slight falls in the value of the pound next year.

Sudhir Junankar, an economic analyst at the CBI, said: "We expect to see only a very modest decline in sterling against the D-Mark. On an effective [trade-weighted] basis we expect to see only an index around 99 by the end of the year.

The organisation foresees the strength of sterling continuing to depress UK exports and demand.

■ Herve Hannoun, Bank of France deputy governor, said a future European central bank would have more independence if it targeted monetary aggregates rather than direct inflation rates.

"Inflation targeting could imply more formal co-operation with the government, since the latter is in a position to influence price developments," Mr Hannoun said in a conference on monetary union conference in London.

■ OTHER CURRENCIES

Nov 20	£	$
Czech Rp	58.2581 - 58.3408	33.1810 - 33.2120
Hungary	332.926 - 333.207	196.370 - 196.420
Iran	5069.20 - 5069.20	3000.00 - 3000.00
Kuwait	0.5144 - 0.5149	0.3034 - 0.3035
Poland	5.9475 - 5.9527	3.5080 - 3.5090
Russia	10033.3 - 10040.9	5918.00 - 5919.00
U.A.E.	6.2270 - 6.2310	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Nov 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6656	+0.054	540 - 771	20.6780	20.6001	20.7354	-4.1	20.8584	-3.7	21.3881	-3.4	102.7
Belgium	(BFr)	60.5776	+0.1622	258 - 293	60.6840	60.3700	60.3759	4.0	59.9844	3.9	58.4812	3.5	102.3
Denmark	(DKr)	11.1794	+0.0325	735 - 852	11.1854	11.1444	11.1449	3.7	11.0755	3.7	10.8209	3.2	104.6
Finland	(FM)	8.8570	+0.0206	500 - 639	8.8650	8.8300	8.8262	4.2	8.7686	4.0	8.5556	3.4	81.3
France	(FFr)	9.8320	+0.0295	274 - 366	9.8387	9.8011	9.7995	4.0	9.7332	4.0	9.4899	3.5	105.8
Germany	(DM)	2.9363	+0.0077	347 - 378	2.9383	2.9269	2.9266	3.9	2.9075	3.9	2.833	3.5	103.6
Greece	(Dr)	460.293	+1.057	047 - 539	460.800	459.156	466.712	-16.7	478.98	-14.5	495.088	-7.3	65.8
Ireland	(I£)	1.1261	+0.0034	270 - 291	1.1295	1.1239	1.1272	1.0	1.1241	1.4	1.1053	2.0	97.9
Italy	(L)	2879.30	+11.24	709 - 151	2881.66	2868.61	2877.03	0.9	2870.01	1.3	2817.56	2.1	76.2
Luxembourg	(LFr)	60.5776	+0.1622	258 - 293	60.6340	60.3700	60.3759	4.0	59.9844	3.9	58.4812	3.5	102.3
Netherlands	(Fl)	3.3086	+0.0085	070 - 102	3.3104	3.2967	3.2977	4.0	3.2769	3.9	3.1929	3.5	101.7
Norway	(NKr)	11.9486	+0.0398	449 - 523	11.9527	11.8986	11.909	4.0	11.8336	3.8	11.5583	3.3	99.2
Portugal	(Es)	299.615	+0.788	425 - 805	299.825	298.870	299.059	2.2	297.898	2.6	291.183	2.8	81.9
Spain	(Pta)	247.941	+0.69	800 - 082	248.090	247.070	247.469	2.3	246.52	2.8	240.76	2.9	77.2
Sweden	(SKr)	12.8000	+0.0224	920 - 080	12.8116	12.7552	12.767	3.1	12.7033	3.0	12.492	2.4	86.1
Switzerland	(SFr)	2.3815	+0.0084	800 - 829	2.3831	2.3721	2.37	5.6	2.3478	5.7	2.2565	5.3	108.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.3
Ecu	–	1.4819	+0.0031	808 - 829	1.4830	1.4780	1.4782	3.0	1.4705	3.1	1.4396	2.9	-
SDR†	–	1.231228	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6856	+0.0057	851 - 861	1.6967	1.6874	-	-	-	-	-	-	-
Brazil	(R$)	1.8790	+0.0071	783 - 796	1.8818	1.8693	-	-	-	-	-	-	-
Canada	(C$)	2.4089	+0.0156	076 - 102	2.4116	2.3900	2.4013	3.8	2.3868	3.7	2.3314	3.2	82.6
Mexico	(New Peso)	13.9505	-0.0813	378 - 631	13.9858	13.9386	14.1236	-14.9	14.5016	-15.8	15.8781	-13.6	-
USA	($)	1.6959	+0.0057	954 - 964	1.6990	1.6877	1.6933	1.8	1.6883	1.8	1.6661	1.6	108.3
Pacific/Middle East/Africa													
Australia	(A$)	2.4616	+0.0094	600 - 632	2.4730	2.4486	2.4564	2.5	2.4449	2.7	2.3975	2.6	87.7
Hong Kong	(HK$)	13.1102	+0.0429	054 - 149	13.1324	13.0483	13.1396	-2.7	13.2491	-4.2	13.6432	-4.1	-
India	(Rs)	63.5264	+0.205	927 - 641	63.6640	63.1010	-	-	-	-	-	-	-
Israel	(Shk)	5.9923	+0.0326	837 - 008	6.0100	5.9795	-	-	-	-	-	-	-
Japan	(Y)	215.176	+0.03	028 - 324	215.910	213.190	213.911	7.1	211.111	7.6	199.861	7.1	118.9
Malaysia	(M$)	5.9951	+0.0921	848 - 053	6.0273	5.8761	6.0057	-2.1	6.0442	-3.3	6.2146	-3.7	-
New Zealand	(NZ$)	2.7298	+0.0138	275 - 322	2.7387	2.7213	2.7294	0.2	2.7284	0.2	2.7266	0.1	106.4
Philippines	(Peso)	59.0174	+0.1138	152 - 195	59.9134	58.7864	59.7311	-14.5	61.024	-13.6	66.1743	-12.1	-
Saudi Arabia	(SR)	6.3612	+0.0219	594 - 639	6.3721	6.3301	6.3534	1.5	6.3373	1.5	6.2693	1.5	-
Singapore	(S$)	2.7164	+0.0082	143 - 185	2.7239	2.6986	2.7174	-0.4	2.7143	0.3	2.6889	1.0	-
South Africa	(R)	8.2353	+0.0184	303 - 403	8.2665	8.2090	8.2978	-9.1	8.4057	-8.3	8.7898	-6.7	-
South Korea	(Won)	1931.63	+181.4	106 - 220	1935.16	1825.48	-	-	-	-	-	-	-
Taiwan	(T$)	55.5196	+8.1232	820 - 571	58.5977	55.2487	55.4554	1.4	55.325	1.4	54.7281	1.4	-
Thailand	(Bt)	67.6665	+0.143	617 - 712	67.7810	64.1620	67.9243	-4.6	68.2787	-3.6	70.6251	-4.4	-

† Rates for Nov 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1856	-0.0082	824 - 888	12.2132	12.1580	12.1617	2.4	12.1241	2.0	11.9756	1.7	102.6
Belgium	(BFr)	35.7200	-0.0245	000 - 400	35.8110	35.6360	35.657	2.1	35.532	2.1	35.085	1.8	102.4
Denmark	(DKr)	6.5920	-0.003	905 - 935	6.6099	6.5762	6.5801	2.2	6.5607	1.9	6.495	1.5	104.2
Finland	(FM)	5.2226	-0.0054	200 - 251	5.2359	5.2120	5.2108	2.7	5.1897	2.2	5.1388	1.6	80.9
France	(FFr)	5.7975	-0.0021	965 - 985	5.8110	5.7832	5.7872	2.1	5.7655	2.2	5.6908	1.8	105.5
Germany	(DM)	1.7314	-0.0013	310 - 316	1.7380	1.7273	1.7279	2.5	1.7223	2.1	1.7	1.6	103.3
Greece	(Dr)	271.415	-0.29	350 - 480	272.270	270.930	274.53	-13.8	280.27	-13.1	291.93	-7.6	65.6
Ireland	(I£)	1.5034	+0.0006	024 - 044	1.5095	1.5020	1.5026	0.7	1.502	0.4	1.5084	-0.3	-
Italy	(L)	1697.80	+0.92	700 - 860	1701.04	1692.21	1698.78	-0.7	1699.47	-0.4	1689.72	0.5	76.1
Luxembourg	(LFr)	35.7200	-0.0245	000 - 400	35.8110	35.6350	35.657	2.1	35.532	2.1	35.085	1.8	102.4
Netherlands	(Fl)	1.9510	-0.0015	508 - 513	1.9554	1.9466	1.9475	2.2	1.9408	2.1	1.918	1.8	101.7
Norway	(NKr)	7.0456	-0.0008	455 - 457	7.0538	7.0246	7.0331	2.1	7.0095	2.0	6.9378	1.5	98.9
Portugal	(Es)	176.670	-0.13	610 - 730	177.000	176.380	176.588	0.6	176.312	0.8	174.66	1.1	92.5
Spain	(Pta)	146.200	-0.085	160 - 240	146.400	145.880	146.13	0.6	145.897	0.8	144.515	1.2	77.0
Sweden	(SKr)	7.5476	-0.0122	451 - 501	7.5673	7.5304	7.5382	1.5	7.5248	1.2	7.4961	0.7	85.8
Switzerland	(SFr)	1.4043	+0.0002	038 - 047	1.4086	1.4008	1.3998	3.9	1.3909	3.8	1.3545	3.5	109.4
UK	(£)	1.6959	+0.0057	954 - 964	1.6990	1.6877	1.6935	1.7	1.6895	1.7	1.6671	1.7	103.7
Ecu	–	1.1445	+0.0015	440 - 449	1.1475	1.1417	1.1457	-1.3	1.1482	-1.3	1.1584	-1.2	-
SDR†	–	0.72970	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.1080	+0.0005	079 - 080	1.1085	1.1076	-	-	-	-	-	-	-
Canada	(C$)	1.4205	+0.0045	201 - 208	1.4219	1.4165	1.4182	1.9	1.4137	1.9	1.3996	1.5	82.9
Mexico	(New Peso)	8.2260	-0.064	210 - 310	8.2315	8.2205	8.341	-16.8	8.581	-17.3	9.538	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.2
Pacific/Middle East/Africa													
Australia	(A$)	1.4515	+0.0008	510 - 520	1.4556	1.4508	1.4507	0.7	1.4481	0.9	1.4374	1.0	86.9
Hong Kong	(HK$)	7.7305	-0.0007	300 - 310	7.7330	7.7300	7.756	-4.0	7.838	-5.8	8.2005	-6.1	-
India	(Rs)	37.4600	-0.005	500 - 700	37.4600	37.3500	-	-	-	-	-	-	-
Israel	(Shk)	3.5334	+0.0074	294 - 374	3.5385	3.5277	-	-	-	-	-	-	-
Japan	(Y)	126.880	-0.41	830 - 930	127.270	126.200	126.32	5.3	125.07	5.7	120.085	5.4	120.7
Malaysia	(M$)	3.5350	+0.0425	300 - 400	3.5505	3.4780	3.546	-3.7	3.578	-4.9	3.73	-5.5	-
New Zealand	(NZ$)	1.6097	+0.0026	088 - 106	1.6124	1.6075	1.6129	-2.3	1.6182	-2.1	1.637	-1.7	-
Philippines	(Peso)	34.8000	-0.05	500 - 500	35.6000	34.6000	35.159	-12.4	35.811	-11.6	39.8205	-14.4	-
Saudi Arabia	(SR)	3.7509	+0.0008	504 - 514	3.7516	3.7508	3.7519	-0.3	3.7539	-0.3	3.7602	-0.2	-
Singapore	(S$)	1.6018	-0.0017	010 - 025	1.6055	1.5986	1.6068	-3.7	1.6093	-1.9	1.6188	-1.1	-
South Africa	(R)	4.8560	-0.0055	545 - 575	4.8680	4.8540	4.897	-10.1	4.9735	-9.7	5.2748	-8.6	-
South Korea	(Won)	1139.00	+103.5	800 - 900	-	1130.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.7375	-0.0375	250 - 500	33.4810	32.7000	32.7485	-0.4	32.77	-0.4	32.85	-0.3	-
Thailand	(Bt)	39.9000	-0.05	800 - 500	40.1500	38.0000	40.12	-6.6	40.44	-5.4	42.35	-6.1	-

† SDR rate per $ for Nov 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 19: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.23	4.847	1.862	4753	5.462	19.72	494.6	409.3	21.13	3.931	1.651	3.977	2.800	355.2	2.446
Denmark	(DKr)	54.19	10	8.795	2.627	1.009	2576	2.960	10.69	268.0	221.8	11.45	2.130	0.895	2.155	1.517	192.5	1.325
France	(FFr)	61.61	11.37	10	2.986	1.147	2929	3.365	12.15	304.7	252.2	13.02	2.422	1.017	2.450	1.725	218.9	1.507
Germany	(DM)	20.63	3.807	3.348	1	0.384	980.6	1.127	4.069	102.0	84.44	4.359	0.811	0.341	0.820	0.578	73.28	0.505
Ireland	(I£)	53.70	9.910	8.716	2.603	1	2552	2.933	10.59	265.6	219.8	11.35	2.111	0.887	2.136	1.503	190.8	1.314
Italy	(L)	2.104	0.388	0.341	0.102	0.039	100	0.115	0.415	10.41	8.611	0.445	0.083	0.035	0.084	0.059	7.473	0.051
Netherlands	(Fl)	18.31	3.379	2.972	0.887	0.341	870.2	1	3.611	90.55	74.94	3.869	0.720	0.302	0.728	0.513	65.03	0.448
Norway	(NKr)	50.70	9.356	8.229	2.457	0.944	2410	2.769	10	250.8	207.5	10.71	1.993	0.837	2.016	1.419	180.1	1.240
Portugal	(Es)	20.22	3.731	3.282	0.980	0.377	961.0	1.104	3.988	100	82.75	4.272	0.795	0.334	0.804	0.566	71.82	0.495
Spain	(Pta)	24.43	4.509	3.965	1.184	0.455	1161	1.334	4.819	120.8	100	5.163	0.961	0.403	0.972	0.684	86.79	0.598
Sweden	(SKr)	47.33	8.734	7.681	2.294	0.881	2249	2.585	9.335	234.1	193.7	10	1.861	0.781	1.882	1.325	168.1	1.158
Switzerland	(SFr)	25.44	4.694	4.128	1.233	0.474	1209	1.389	5.017	125.8	104.1	5.375	1	0.420	1.012	0.712	90.35	0.622
UK	(£)	60.58	11.18	9.832	2.936	1.128	2879	3.309	11.95	299.5	247.8	12.80	2.382	1	2.409	1.696	215.2	1.482
Canada	(C$)	25.15	4.641	4.081	1.219	0.468	1195	1.373	4.960	124.4	102.9	5.313	0.988	0.415	1	0.704	89.32	0.615
USA	($)	35.72	6.592	5.798	1.731	0.665	1698	1.951	7.046	176.7	146.2	7.548	1.404	0.590	1.421	1	126.9	0.874
Japan	(Y)	28.15	5.195	4.569	1.365	0.524	1338	1.538	5.553	139.2	115.2	5.949	1.107	0.465	1.120	0.788	100	0.689
Ecu	–	40.86	7.545	6.635	1.982	0.761	1943	2.233	8.064	202.2	167.3	8.638	1.607	0.675	1.626	1.145	145.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5785	0.5793	+0.0009	0.5798	0.5765	15,264	67,869
Mar	0.5820	0.5827	+0.0014	0.5827	0.5816	383	3,821
Jun	–	0.5839	–	–	–	1	2,686

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7907	0.7910	-0.0008	0.7952	0.7889	25,913	132,702
Mar	0.8025	0.8026	-0.0006	0.8055	0.8010	251	2,790
Jun	–	0.8143	–	–	–	4	322

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7144	0.7147	+0.0001	0.7157	0.7123	6,931	48,838
Mar	0.7219	0.7207	-0.0004	0.7219	0.7207	144	2,701
Jun	–	0.7279	-0.0005	0.7280	–	3	285

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6896	1.6948	+0.0066	1.6970	1.6864	4,955	56,800
Mar	1.6890	1.6870	+0.0060	1.6890	1.6860	108	647

UK INTEREST RATES

LONDON MONEY RATES

Nov 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	7¼ - 7⅛	7¼ - 7⅛	-	-
Bank Bills	-	-	7¼ - 7⅛	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7¼ - 7	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Nov 14, 7.0774pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1997. Agreed rate for period Nov 26, 1997 to Dec 23, 1997, Scheme III 6.98pc. Reference rate for period Oct 1, 1997 to Oct 31, 1997, Schemes IV & V 7.344pc. Finance House Base Rate 7¾pc from Nov 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.31	92.35	+0.04	92.35	92.31	16904	145789
Mar	92.22	92.26	+0.06	92.29	92.22	21276	122411
Jun	92.22	92.30	+0.08	92.31	92.22	21492	106287
Sep	92.33	92.41	+0.02	92.42	92.32	9423	77865
Dec	92.50	92.57	+0.08	92.58	92.50	5905	72551

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.13	0.17	0.28	0.03	0.14	0.21
9250	0.01	0.05	0.14	0.16	0.27	0.34
9275	0	0.01	0.06	0.40	0.48	0.51

Est. vol. total, Calls 4950 Puts 3125. Previous day's open int., Calls 232343 Puts 233394

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.00		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES

November 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.30	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	[illegible]
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	6	-	-	[illegible]
US Dollar CDs	-	5.47	5.49	5.56	5.70	-	-	[illegible]
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible] - 5	[illegible]	[illegible]	[illegible]	5 - 5	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible] - 5	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1½ - 1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMODITIES AND AGRICULTURE

Oil returns to bearish fundamentals

MARKETS REPORT

By Gary Mead and Kenneth Gooding

The underlying bearisb fundamentals of the world's oil markets came back into sharp focus yesterday. as the tension between Iraq and tbe United Nations over the exclusion of US members of weapons inspection teams appeared to be resolved.

On the Internabonal Petroleum Exchange in Londoo, Brent, the global benchmark for crude oil, was trading 25 cents lower late yesterday, at $19.04 a barrel, for the December contract. On tha New York Mercantile Exchange, Nymex crude was similarly depressed, the December contract having slipped 22 cents from the previous close to $19.58 a barrel in late trading.

Specialists generally agreed that, with the threat of military intervention seemingly lifted, the markets could return to studying more closely the fundamentals, which, in the context of a probably increased quota limit from Opec, are firmly bearish, at least in the short term.

News that some UN members may be willing to double the amount of crude oil Iraq is permitted to export, from $2bn every six months to $4bn, was a further factor in the downward price trend. The UN may decide on any increase in Iraq's quota by the end of November, sbortly before the current oil-for-food agreement expires on December 6.

Analysts said that while crude oil prices may weaken further, the medium-term supply and demand outlook should provide support at around $18 a barrel in the coming weeks, despite the onset of what some meteorologists are now forecasting to be a warmer than average northern bemisphere winter.

On the London Metal Exchange zinc was again at centre stage. The price brushed aside another big rise in LME stocks to close $29 a tonne ahead at $1,224. Zinc, used mainly for galvanised steel, had jumped by nearly 8 per cent in two days, recovering from a 10½-month low of $1,150 a tonne.

There was market talk about an investment fund buying zinc and also abont a leading metal merchant taking a shareholding in a substantial North American mine.

Some analysts said zinc's fundamentals also justified highar prices. Maqsood Ahmed at Credit Lyonnais Rouse suggested the zinc market was set to stay in structural deficit at least until 1999.

"Higher prices, driven by fundamental pressures, are expected over the next two years," he said in CLR's Base Metals Outlook. The market was likely to see a supply deficit of 118,000 tonnes this year, 274,000 tonnes in 1998 and 99,000 tonnes in 1999, said Mr Ahmed.

Lead also bounced back strongly from the 32-month low seen on Wednesday and three-month metal ended 3.1 per cent higher at $578 a tonne. Michael Christian, analyst at Rudolf Wolff, suggested that, in spite of lead's "bullish fundamental picture, nervousness continues to oversbadow the market and a return to $560 is possible."

COMMODITIES NEWS DIGEST

Sugar production expected to fall

Global sugar production for 1997-98 is forecast to fall by 320,000 tonnes from last year, to 122.8m tonnes, in spite of an increase of 1.07m tonnes in the European Union sugar beet crop, according to updated figures from the sugar market analyst Czarnikow. It has also reduced its forecast for world sugar consumption for 1998, from 124.37m tonnes to 123.98m tonnes, against the expected 121.91m tonnes for 1997.

These changes "mask a number of strongly pronounced swings which, although broadly balancing out in total, will have an important bearing on market behaviour over the coming months," says Czarnikow in its latest sugar review, published yesterday.

Production levels in the EU have outstripped forecasts earlier this year, while those in Russia and Ukraine "have slipped back sharply". The forecast is for a combined production drop of 1.19m tonnes in east Europe's two biggest beet producers, while tha EU's total beet crop is now put at 19.05m tonnes, an increase of 1.07m tonnes over the previous year's already large harvest.

The report predicts "large-scale destocking by India" to bridge "the large projected deficit between production and requirements". Czarnikow continues to forecast India's production for this season at 11.69m tonnes, and says "India will need to approach the market for third-quarter supplies next year".

However, the Indian Sugar Mills Association this week estimated an eventual total crop of 12m-12.5m tonnes, and some analysts have put the eventual total at 13m tonnes, enough to mean India would avoid the need to import significant stocks this season.

Gary Mead

■ COFFEE CONSUMPTION

Marketing group formed

A new marketing organisation, called Viva Cafe Forever, has been established to boost global coffee consumption. The organisation will target soft beverage drinkers who, since the 1950s, have gradually turned away from coffee towards other soft drinks. According to Ricardo Avellaneda of the National Coffee Growers Federation in Colombia – one of the participants in Viva Cafe Forever – more than 77 per cent of the US population drank coffee in 1950, while in 1997 the figure is closer to 49 per cent.

One of the organisation's main strategies will be to combat recent social attitudes which have increasingly undermined coffee-drinking on health grounds. Another will be to develop further the trend towards marketing coffee by country of origin, imitating practices already familiar in the wine industry.

The new organisation hopes to increase US coffee consumption to 31.5m 60kg bags by 2022, from ths current figure of 18m bags. In addition, it bopes to increase consumption of special or gourmet coffees from 2.5m bags now to 9.45m bags by the same date. The ambition is to expend consumption by an average 2.5 per cent annually in the US.

The group – which comprises more than 50 different producing and consuming organisations – said yesterday a long-term consumption study would be conducted at Georgetown University in the US, to support its future activities.

Gary Mead

Analysts cut gold forecasts

By Kenneth Gooding, Mining Correspondent

Ted Arnold, a Merrill Lyncb analyst who is one of the biggest gold bears, will today reveal he has lowered substantially his gold price forecast for next year. In the past few weeks he bas reduced his forecast from $320 to $300 an ounce.

The average in 1999 will be even lower, at $290 an ounce. Mr Arnold will tell a conference organised by the Adam Smith Institute in London.

"At some point the bear market in gold will end but not, we suspect, until we have closed at least 300 to 400 tonnes of annual mine production capacity, and that may take some years," be notes in a speecb prepared for the conference.

Mr Arnold is not the only analyst to have reduced his forecast after gold fell to 12½-year lows because of worries about sales by central banks. In January a Financial Times survey of 19 analysts showed forecasts of the average gold price this year ranging between $360 and $412 an ounce compared with an average of $388 in 1996. The average so far this year is about $339 an ounce.

Annemarie Gardner, analyst in ABN-Amro Hoare Govett's investment services group, is now looking for an average of $333 this year and $325 In 1998, rising to $340 in 1999 and $370 in 2000.

"Fundamentals in gold are poor and it now appears that gold may bave become merely a commodity rather than a monetary asset. Not only have the worst fears of potential large central bank sales materialised, but following its loss of status as a store of value, the demand side has also become bearish," she says.

Rhona O'Connell, analyst at specialist stockbroker T. Hoare, is forecasting an average price of $336 for this year, $340 for 1998, and $350 for 1999 and 2000.

At the Adam Smith conference on gold and diamonds in Russia and the Central Asian republics, Mr Arnold will say: "The policy of the European central banks is to extract as mncb value as they can from their gold reserves as soon as they can. It is terribly important to realise that central banks are a permanent supply factor in the market."

See Features Page

Manila puts mining on hold

Less than a month ago, Malcolm Norris, chairman of the International Mining and Exploration Committee, which represents 34 foreign mining companies in the Philippines, was a happy man.

After a year of wrangling, IMEC and government antborities had finally agreed the substance of financial or technical assistance agreements (FTAAs), under which mining companies can explore up to 81,000 bectares for an extendible period of 25 years. The government had also agreed to give companies the choice between three fiscal regimes based on different revenue-sharing arrangements.

Mr Norris was confident that of the 70 FTAAs waiting for approval on the desk of Horacio Ramos, director of the government's mines and geosciences bureau, at least a couple would be approved before the end of the year.

Today, Mr Norris' enthusiasm will have evaporated as the recently passed Indigenous People's Rights Act comes into effect, plunging the country's mining industry back into the familiar realm of uncertainty that has beld back its development for over two years.

IPRA gives indigenous groups certain rights over ancestral domains. These will be determined by a new national commission to be established within 90 days. The act's implementing rules and regulations are due to follow 60 days later but given the time it took policymakers to establish those of the 1995 mining act, few in tbe industry taka tbose guidelines seriously.

Justin Marozzi

Indigenous people seem to have been given mineral rights

The more fundamental problem, say critics, is that IPRA is riddled with inconsistencies and ambiguities. It appears to giva indigenous communities ownership of minerals, for exampla, wbereas the constitution declares tbey are state-owned. It is also uncertain whether the indigenous communities may now determine the fiscal regime to ba employed.

It is also unclear whether the law overrides provisions of the present mining act. Foreign and local groups that bave already lodged their FTAA applications do not know how they will be affected by IPRA. Until the commission is established, they will almost certainly remain on ice.

"This is definitely damaging to the investment climate because it extends the period of uncertainty," says Mr Morris. "People don't know what's going to happen and the industry is now battening down the hatches. Companies will maintain a presence here, but probably reduced, until it is clear how ws will operate within this new regime."

It is a big blow to an industry that was liberalised in 1995 and remains full of potential, but appears doomed in the short term to fall victim to bureaucratic confusion and inertia.

The passing of the law has also embarrassed Mr Ramos and the department of environment, which say they were not properly consulted.

Since 1995, only two companies have been granted FTAAs – Australian groups Western Mining and Arimco – and the prospects of more being approved this side of presidential elections next May now looks bleak.

That means new gold and copper explorations in the northern island of Luzon and the southern island of Mindanao will remain on hold and foreign investments of an estimated $120m will be shelved.

Ominously, Commentators beliave IPRA will open a floodgate of legal action from indigenous communities and non-government organisations.

In a recent local newspaper editorial Alex Magno, politics professor at the University of the Philippines, wrote: "This new law might as well sound the death knell for a sector that could potentially contribute much to the national livelihood."

Justin Marozzi

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1618.5-20.5	1646-7

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	303.3	–1.1	–	–	–	–
Dec	303.8	–1.2	305.0	303.5	52,610	79,711
Feb	305.0	–1.3	306.3	304.5	17,733	53,363

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.80	+0.05	81.15	81.00	15	87
Jan	83.00	–	83.40	82.95	185	2,270
Mar	85.00	–	85.25	84.95	63	2,866

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	1170	–25	1170	1155	4	468
Dec	1170	–25	1178	1175	7	253
Jan	1200	–25	1205	1190	157	683
Apr	1290	–20	1300	1290	31	397
Jul	1160	–20	–	–	–	116
Total					199	1,9[illegible]

	Close	Prev
BFI	1198	1214

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	542.00	–4.50	544.00	542.00	13	277
Mar	559.50	–4.50	562.50	559.50	45	368
Total						

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallet and Co
Wool in Australia and New Zealand is selling well at relatively firm prices. British wool at a Bradford sale was affected by the slightly softer world trend with prices down by around 5 per cent and demand sufficiently limited ahead of the Christmas recess for a clearance of 60 per cent, much less than at recent auctions. New Zealand showed mixed price changes with the indicator down 3 cents to 458 NZ cents a kg. The Australian eastern market indicator was up 2 cents on the week to 710 Australia cents a kg. The superfine merino indicator closed at 1,414 cents, 180 cents lower than at the end of October.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1010	+2	1015	1007	2,245	40,124
Mar	1033	–2	1041	1030	2,746	57,883
May	1053	–2	1058	1050	380	23,771

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	78.55	+0.15	79.75	78.05	6,380	23,209
Mar	81.80	–0.80	82.90	81.30	2,096	13,062
May	84.85	–0.85	85.00	84.50	635	3,229
Jul	87.75	–1.15	88.50	87.50	59	1,621
Sep	90.00	–1.15	–	–	40	834
Nov	91.80	–1.60	92.50	92.00	233	900
Total					9,467	42,158

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 20	Nov 19	month ago	year ago
1823.0	1818.4	1854.5	1830.4

■ CRB Futures (Base: 1967 = 100)

Nov 19	Nov 18	month ago	year ago
239.40	241.03	–	–

■ GSCI Spot (Base: 1970 = 100)

Nov 19	Nov 18	month ago	year ago
196.73	198.64	206.56	215.78

LME WAREHOUSE STOCKS (tonnes)

Aluminium	–4,925	to	694,175
Aluminium alloy	–100	to	43,900
Copper	+425	to	343,800
Lead	–700	to	117,650
Nickel	–150	to	65,946
Zinc	+8,375	to	501,900
Tin	–165	to	8,030

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.375	+0.675	67.425	66.800	5,441	28,750
Feb	68.575	+0.425	68.600	68.100	3,911	37,581
Apr	72.050	+0.200	72.100	71.750	1,254	17,752

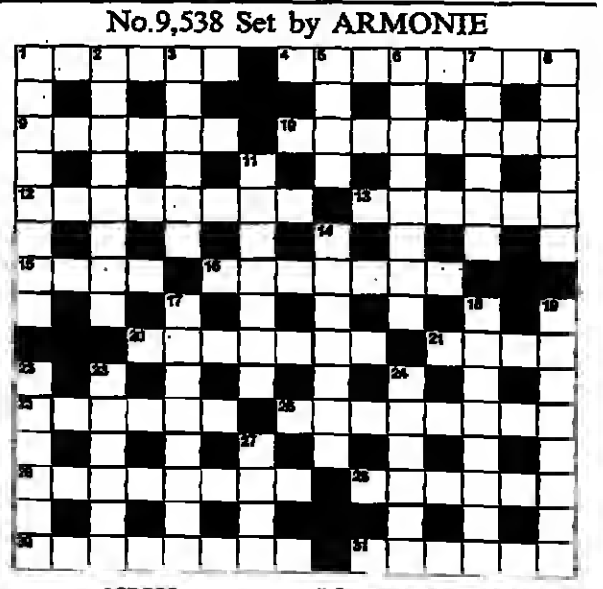
LONDON TRADED OPTIONS

LONDON SPOT MARKETS

JOTTER PAD

CROSSWORD

No.9,538 Set by ARMONIE



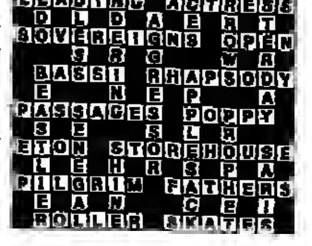
ACROSS

1 A bishop in front of ancient tomb (6)
4 Dog chasing snake in sporting event (4,4)
9 Young woman I love rejected boring fabrication (3,3)
10 Testing a bit of mould in young tree (8)
12 It's futile turning over weapon to a politician (8)
13 Pilfered wrap that's new (6)
15 Retreat is acceptable after drama in Japan (4)
16 New bill of exchange for Russian water transport (7)
20 Prophet's to become late supping French wine with redhead (7)
21 They say the food's tolerable (4)
25 Claim legal misrepresentation, to a point (6)
26 Gal ruined Yank's best clothes (4,4)
28 Called, in fact, being crazy (8)
29 Black bird that hunts for hares (6)
30 Race after money for fabricating material (3,5)
31 Abandon virtue (6)

DOWN

1 Poet admitting holding up branch (8)
2 A belief there's lithium in the area (8)
3 After minor operation I swallowed a sedative (6)
5 Lesson starting without the master, it's said (4)
6 Court official ends on the river (8)
7 Scurrilous daily, features king with little interest (6)
8 Power source in gene pool (6)
11 Song about people in Asian state (7)
14 It's astute to carry cheese for only a short time (7)
17 Oblique call about endless misery (8)
18 Husband rushed, in a fever, to give diatribe (8)
19 Half-heartedly cure the smell in the street (8)
22 An outlaw's born with it (6)
23 In favour of taking a pound in coin (6)
24 Stick notice on present (6)
27 The grass is set (4)

Solution 9,537



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

American F	$5.607	-0.007	0.00	
Asia Pacific F	187.8	-3.7	0.00	
Asia Pacific F	$3.179	+0.009	0.00	
China Opportunities F	226.5	-3.7	0.00	
China Opportunities F	$3.837	-0.046	0.00	
European Growth F	371.8	+3.6	0.00	
European Growth F	DM10.90	+0.10	0.00	
Global Growth F	174.4	+0.3	0.00	
Japan Growth F	91.04	+0.80	0.00	
Japan Growth F	$1.540	+0.021	0.00	
India Opportunities F	$0.110	-0.006	0.00	
Sterling High Yield F	120.9	—	5.77	
Technology F	$5.024	-0.027	0.00	
UK Equity Income F	204.8	+0.5	2.58	
World Bond F	124.8	-0.4	5.25	

Daiwa Europe Fund Mgrs Ireland Ltd

Daiwa Alternative Inv Plc	$1200.27		—	—
Daiwa Mega	$865.18		—	—
Global Scrip	$15.46	15.46		—

Dragon Korea Fund Plc

NAV	$2.558		—	—

Scottish Value Management (Ireland) Ltd (u)
St Stephen's Green, Dublin 2

UK Growth	£2.98	3.03	—	—
European Growth	£3.56	3.57	—	—
Dollar Value	$1.3901		—	—
Relative Value II	£1.0326		—	—

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR

Dresdner Kleinwort Benson Int Mgt Srv

NAV Nov 14	$100.00		—	—

Eagle Star European Life Assurance Co Ltd

Sterling Stable	£1.007	1.060	—	—

Edgehill Select Group

Contrary	$13.91		—	—
The Wall Coast Fund	£11.10		—	—

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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BAII Asset Management Ltd

10 Piccadilly, London W1V 6EE 0171 734 5700

Bank Von Ernst & Cie AG

0041 313291111

Banque Indosuez

Barclays Diversified Portfolio

Foreign & Colonial Portfolios Fd Sicav

47 Boulevard Royal, L-2449 Lux

Frontrunner I

GT Global

Morgan Stanley Sicav - Contd.

ADM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Tweedy, Browne Value Funds

Friends Provident International

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Professional Investment Consultants

Royal Life International

Aurora Funds

BAS-EX Currency Fund Plc

BEA Associates

DWS Deutsche Ges. F. Wertpapiersp

Dealer Investment Trust Co Ltd

The Glenmore Property Fund Ltd

Global Asset Management

Indochina Asset Management Limited

Indosuez Emerging Markets Asset Mgmt SA

Invesco Asset Management

The International Investor

MPFC Overseas Limited

McGinnis Global Fund Ltd

Magnum Funds

Orbitex Management Ltd

ORIENT Growth Fd

Oriental Development Company Ltd

Orion Capital Advisors Ltd

Scudder, Stevens & Clark Inc

Secure Growth Fund Ltd (Bermuda)

Secured Profits Fund Limited

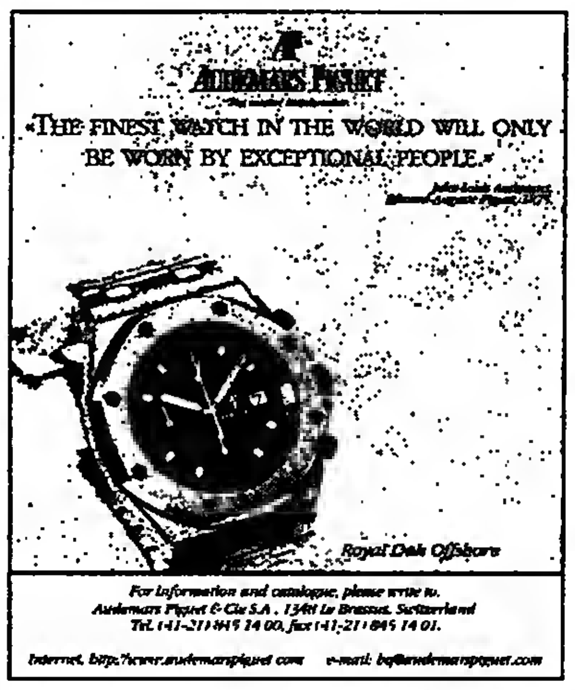
Global Atlic Inc

Global Convertible Megafund

Global Fund Management S.A.

Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd



The Global Managed Investec Bond Limited

Global Portfolio (BVI) Management Ltd

Globalvest Management Co LP

Jupiter Asset Mngt - Contd.

KB Offshore Fund, C.V.

Kenmar Management Limited

OTHER OFFSHORE FUNDS

ATSP Management Ltd

AXA Asset Management

Aberdeen Asset Management Asia Limited

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

صحكنا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£22½	—	*£27¾	£20¼	1,600	2.9	♦
Barlow	§	£8⅜	-⅛	£9⅞	£5⅞	1,327	2.8	♦
Gold Flds Prop R		120½	-½	197	120½	12.4	6.6	10.2
SA Brews	†	£14¼	+⅛	£21½	£13¼	4,341	2.4	-
Standard Bank		£25¼	+⅛	£30	£21	3,051	2.1	-
Tiger Oats		813	+18	1108	790	1,229	2.3	♦
Tongaat-Hulett		728	-2½	780	710	784.9	2.4	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
O Dividend a paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

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To order, call 0121 200 4878.
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LONDON STOCK EXCHANGE

Wall St and bid news lift Footsie above 4,900

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A batch of generally comforting economic data coupled with relief over the performances in US and Japanese markets provided a much needed lift to London's equity market.

There was an additional boost to sentiment in the UK with news of more takeover activity, this time involving two more FTSE 250 stocks, Allied Colloids and Unichem.

The takeover news involving those two companies followed in the wake of Wednesday's £3.1bn agreed offer from Merrill Lynch for Mercury Asset Management, which triggered a surge of bid speculation in the financial sectors.

Wall Street's strength on Wednesday, when the Dow Jones Industrial Average closed 73 points ahead, burdling the 7,700 level in the process, was the initiator of the widespread strength across European markets.

They were also given a push by the near 3 per cent rise in Tokyo, although numerous other far eastern stock markets continued to lose ground – some, such as Hong Kong, Malaysia and Korea, by large amounts. London was given a further kick ahead in the early afternoon when the Dow opened sharply higher. It approached a three-figure rise not long after London closed.

Dealers, taken aback by the pace of the rally, said the market had found itself short of stock, specifically in the leaders. "There is still the feeling that the market will start to tick up in the run-up to Christmas. Perhaps we're seeing that already," said one trader.

The only significant cloud on the horizon was a big sell-off in Lloyds TSB shares, one of the prime movers in the substantial outperformance of the bank sector over the past couple of years.

The slide in Lloyds TSB came in the wake of a profit downgrade by ABN-Amro Hoare Govett, Lloyds TSB's own broker, which some viewed as possibly the first of many such moves in the stock and the sector. The reduction reflected the impact of the recent sequence of five UK interest rate rises. That news also had a big impact on Barclays.

Lloyds TSB's retreat was worth over 6 Footsie points, with Barclays adding a further two, although those losses were more than neutralised by the big rallies in HSBC and Standard Chartered, the two far east-sensitive banks, which between them accounted for 11.7 Footsie points.

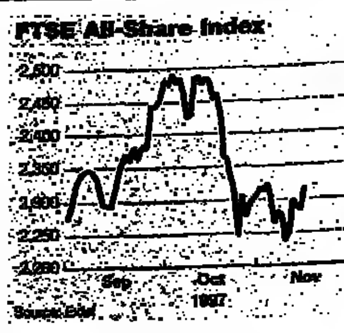
The FTSE 100 drove confidently through the 4,900 level, finishing the day 78.3 up at 4,908.4. The FTSE 250, stimulated by the takeover-related gains, pushed up 12.0 to 4,642.3. The FTSE SmallCap was left well behind, slipping 0.9 to 2,274.7.

Domestic economic details released yesterday showed M4 money supply up 0.6 per cent, in line with most forecasts, and third-quarter gross domestic product up a revised 0.9 per cent, slightly below consensus.

The Confederation of British Industry's monthly trends survey highlighted the impact of sterling's strength on manufacturers.

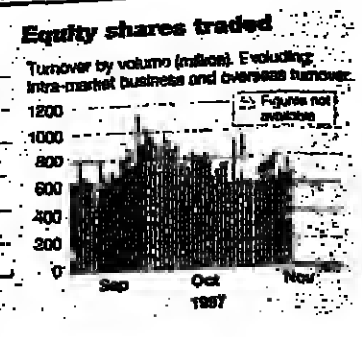
Turnover in equities at 6pm was 781.9m shares.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4908.4	+78.3
FTSE 250	4642.3	+12.0
FTSE 350	2367.1	+31.6
FTSE All-Share	2314.73	+28.82
FTSE All-Share yield	3.37	3.41
FT 30	3168.8	+30.0
FTSE Non-Fins p/e	19.87	19.47
FTSE 100 Fut Dec	4874.0	+3.0
10 yr Gilt yield	6.59	6.68
Long gilt/equity yld ratio	1.96	1.97

Best performing sectors

1. Pharmaceuticals .... +3.4
2. Life Assurance .... +2.5
3. Oil: Integrated .... +2.2
4. Consumer Goods .... +2.2
5. Gas Distribution .... +2.1

Worst performing sectors

1. Engineering: Veh .... −0.5
2. Household Goods .... −0.4
3. Electronic & Elect Equip .... −0.4
4. Distributors .... −0.4
5. Building & Const .... −0.3

Lloyds on the retreat

By Peter John, Joel Kibazo and Philip Coggan

A surprise downgrade sent Lloyds TSB sharply lower on heavy turnover yesterday.

The forecast reduction may have been small but it came from the company's own broker and it came ahead of a series of broker visits to the bank. Also, although Hoare was already at the bottom of the range for 1998, it came down by a further £100m to £3.5bn.

The slide sent a shiver through the sector as specialists began to worry that cautions noises from the UK's biggest domestic bank might berald a sea change within the industry.

Banks began to outperform the FTSE All-Share index in 1992 when a prolonged period of solid earnings prompted a re-rating. Outperformance became a decoupling this year – the differential over the past 12 months was 17 per cent at the start of trading yesterday.

At its October peak, Lloyds hit 850p but the shares have fallen because of turmoil in the Far East. Hoare has now warned of concerns within the UK. It has told clients that the rise in UK base rates is squeezing credit card profit margins. And it has pointed out that year-on-year consumer credit growth has fallan from 18 per cent in January to 12 per cent.

Lower loan demand is likely to hit Barclays and National Westminster. Analysts added that Alliance & Leicester, Bank of Scotland and Royal Bank of Scotland are all beavily exposed to the credit card boom.

Lloyds tumbled 22 to 684p on one of its beaviest recorded daily turnovers – 38m shares. Dealers said the heavy trade had been one of the first successful tests of the new electronic trading system. Barclays fell 24 to £14.49 and Alliance & Leicester 11 to 704p. NatWest ended just 4¼ firmer at 887p while Bank of Scotland was flat at 508p. Royal Bank ended 17 better at 692p but off its highs.

Glaxo strong

Glaxo Wellcome traded 56 higher at £13.17 with support from Goldman Sachs following the company's trading update on Wednesday. Goldman said the update "shows Glaxo is delivering top of industry sales growth and is on track for a 17 per cent annualised total return after its ADRs rose $1/16 to $42¾". Dealers also said one leading broker was preparing a big buy note that would hit clients desks today or Monday.

SmithKline Beecham rose 16 to 575p, reflecting gains in its ADRs in New York on Wednesday and a bullish recommendation from JP Morgan, which set its year-end 1998 price target on SmithKline at 640p and reinforced its "buy" rating on the stock.

Shell Transport jumped 17¾ to 437¾p as the headlines from a big recommendation by Merrill Lynch hit the market.

The broker has taken a close look at the cost-cutting potential of the company, as well as its ability to raise the return on assets, and concluded the shares are worth 485p on a 12-month view. In the research note, which is due to hit clients' desks on Monday, it has also lifted its long-term recommendation from "accumulate" to buy".

Among the exploration and production sub-sector Lasmo lifted 13 to 279p as the company shrugged off industry concerns about falling production.

Lasmo said it had drilled a successful appraisal well in the Ghadames Basin in Algeria and added it had hit its 200,000 barrel-a-day production target.

Tha news helped Enterprise, badly mauled because of Tuesday's announcement of delays in production. The shares gained 10¼ to 586p despite a downgrade from "outperform" to "neutral" by Lehman Brothers.

BG rose 5¾ to 267½p on well-received third-quarter profit of £21m and a strong recommendation from SocGen.

Tha broker concentrated on the potential of reserves in the former Soviet Union and calculated that investment implications in tha north Caspian Sea and Karachaganak could boost BG's market capitalisation by 20 per cent.

Standard Chartered topped the list of Footsie performers as analysts reported back from a trip to the bank's operations in Singapore and Hong Kong. The bank told analysts that the market shakeout in the Far East had enabled it to pick up lending volume from small banks because of its strength and reputation.

It also said that it was widening its margins. The shares jumped 49 to 692p and dragged HSBC 75p shares up 65 to £15.00.

Fund manager Amvescap lifted 10 to 403p following a recommendation from SBC Warburg Dillon Read.

Allied jumps

Speciality chemicals group Allied Colloids gave in to market speculation that a bidder was hovering and the shares jumped a further 14½ or 11.6 per cent to 139½p.

Turnover of 5.4m shares included a large number of small speculative orders carried out at a premium and on a 10-day settlement.

The extended settlement period gives investors tha opportunity to make a turn on stock without actually taking delivery.

The identity of Allied Colloids' suitor remained a mystery. Laporte, which had been the first company suggested in the market, denied all interest.

BASF of Germany and Elf Atochem were both floated as possibilities bnt denied they had made an approach.

Drug wholesaler and retailer UniChem jumped 58 to 346p after agreeing a merger with Alliance Sante Luxembourg to form a European bealthcare company. UniChem expects merger benefits to contribute more than £5m to profits and enhance earnings in the first year after completion.

Shares in UK hotels and leisure giant Granada Group moved strongly ahead after it published figures at the top end of expectations, and gave hints of further disposals. The shares rose 43 to 843p, one of the best performing Footsie stocks of the day.

Conglomerate Tomkins remained a feature throughout the session, with SGST said to have upgraded the stock to a "buy".

The shares were also buoyed by reports that the company may quadruple its share buy-back programme next year unless it can find suitable acquisitions. The shares advanced 15¼ to 806¾p.

Telecommunications company Ionica Group remained friendless, recording the worst performance in the FTSE 250 for the second session in a row. The shares lost another 11 or 7 per cent to 145½p.

FT 30 INDEX

	Nov 20	Nov 19	Nov 18	Nov 17	Nov 14	Yr ago	*High	*Low
FT 30	3168.8	3138.8	3147.4	3153.1	3093.5	2775.0	3430.3	2668.8
Ord. div. yield	3.58	3.62	3.61	3.59	3.66	4.11	4.22	3.29
P/E ratio net	20.55	20.33	20.39	20.46	18.97	16.79	22.38	15.80
P/E ratio nil	20.27	20.05	20.11	20.16	18.68	16.63	22.02	15.71

FT 30 since compilation: high 3430.3 18/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	13.00	13.00	14.00	15.00	16.00	High	Low
3137.8	3162.3	3158.9	3157.1	3154.7	3165.8	3168.1	3172.5	3182.4	3177.8	3135.5

	Nov 20	Nov 18	Nov 18	Nov 17	Nov 14	Yr ago
SEAQ bargains	61,015	46,978	45,802	54,370	49,785	35,142
Equity turnover (£m)†	-	NA	2293.2	2415.3	2457.7	1046.0
Equity bargains†	-	NA	39,849	45,184	38,989	23,341
Shares traded (ml)†	-	NA	679.8	702.6	773.2	436.7

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	724	Total Highs	45	Total contracts	45,881
Total Falls	677	Total Lows	124	Calls	20,542
Same	1,661			Puts	25,339

Nov 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4893.0	4928.0	+58.0	4956.0	4885.0	13904	64441
Mar	4942.0	4974.0	+59.5	4995.0	4942.0	622	7657

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4641.0	-9.0			0	9244

FTSE 100 INDEX OPTION (LIFFE) (*4896) £10 per full index point

	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P
Nov	199	½	150	1½	102½	2	59½	7½	26	23	7	57½	1½	106	½	156
Dec	328½	99½	292½	112	256	125	224½	144	193½	167½	166	188½	138	211	115	237
Jan	391½	149	353	161½	320½	179½	289	201	261	220½	238½	241	201½	263	177	290½
Feb	451½	188	416½	203	385½	222	354	242½	324	262½	296	285½	268	309	246½	337½
Jun†	582½	249½			505	290½			446½	332½			387½	372		

Calls 3,433 Puts 3,883

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P
Nov	174	1½	125	2	78½	4½	39½	15½	15	41	3½	79½	1½	126½	½	176
Dec	307	105½	273	120½	241	138½	207½	154½	177½	174½	149½	196	129	225½	104	250
Jan	373	154½	337½	168½	303½	184	270½	200½	240½	219½	212	241	184½	262½	159½	287
Mar	468½	225½			401	255½			341½	294			286	336	561	267½
Jun†	561	267½			497	299½			438	336			383½	377½		

Calls 6,530 Puts 14,195 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	102¼	99¾	Asset Mn Zero Dv	100¼		-	-	-	-
-	F.P.	31.7	207½	198	BCH Group	200	+2	RW6.2	1.7	3.9	18.9
-	F.P.	1,309	30½	29½	BG 'B'	29½		-	-	-	-
-	F.P.	0.78	18½	16½	†Buckland Inv	18½		-	-	-	-
-	F.P.	0.08	12	8	†Do Warrants	10		-	-	-	-
§	F.P.	11.4	113½	113½	Capital Opps Tst	113½		-	-	-	-
§150	F.P.	8.47	153½	153½	†Cresco Intl	153½		-	-	-	-
*	F.P.	20.0	100	100	Foresight Tech	100		-	-	-	-
*	F.P.	1.20	35	5½	Do Warrants	30	+24½	-	-	-	-
-	F.P.	45.7	148½	147½	Gyrus Group	147½		-	-	-	-
§128	F.P.	123.3	184½	180½	Holmes Place	182½		L3.0	2.0	2.1	23.1
155	F.P.	17.1	176½	162½	Latchways	170½		-	-	-	-
*	F.P.	86.6	99½	70½	†Metalarussia	88½		-	-	-	-
§45	F.P.	21.1	54½	50½	†Minorplanet Sys	53½		-	-	-	-
§115	F.P.	17.8	182½	140	†NSB Retail Sys	182½	+1	L1.15	1.8	0.8	70.9
250	F.P.	477.0	252½	225	Newsquest	238½xd		W5.4	3.0	2.8	14.7
-	F.P.	19.0	128	115½	Nthn Recruitment	116½		L1.73	4.1	1.9	14.6
70	F.P.	25.7	63½	53	Nott'ham Forest	56½		-	-	-	-
§245	F.P.	140.0	287½	245	SHL Group	282½		LW4.5	-	2.1	-
§95	F.P.	5.63	114½	104½	†Savoy Asset Mngt	114½		W4.06	2.0	4.4	14.1
-	F.P.	58.9	210½	203½	Workplace Tech	203½	-2	RW1.5	5.2	0.8	25.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 18	% chg on day	Nov 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1056.20	−1.0	1066.86	1932.43	2.74	--	1873.98	1056.20
Regional Indices								
Africa (15)	1098.08	+1.3	1083.84	2442.77	6.70	19.36	2475.32	1082.33
Australasia (6)	1019.90	−3.5	1056.37	2125.26	3.74	12.64	2217.80	1019.90
North America (12)	1058.97	−1.4	1074.23	1784.75	1.27	39.37	1820.29	1058.97

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 20	Day's chge%	Nov 19	Nov 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4908.4	+1.6	4830.1	4845.4	3953.8	3.32	2.72	2.06	18.28	134.85	2114.62
FTSE 250	4642.3	+0.3	4630.3	4623.4	4397.0	3.61	2.96	1.77	19.54	131.40	1958.04
FTSE 250 ex IT	4683.2	+0.2	4673.8	4663.9	4436.2	3.72	3.08	1.81	18.57	136.17	1981.81
FTSE 350	2367.1	+1.4	2335.5	2340.7	1970.4	3.38	2.77	2.00	18.51	65.43	2083.15
FTSE 350 ex IT	2370.9	+1.4	2339.1	2344.2	-	3.39	2.78	2.01	18.31	33.47	1070.12
FTSE 350 Higher Yield	2360.9	+1.6	2323.0	2333.4	1872.8	4.34	3.59	1.83	15.72	79.39	1765.81
FTSE 350 Lower Yield	2386.4	+1.1	2360.0	2360.8	2075.0	2.54	2.05	2.25	21.87	51.70	1714.28
FTSE SmallCap	2274.70	----	2275.63	2279.99	2160.19	3.25	2.62	1.81	23.97	59.10	1950.06
FTSE SmallCap ex IT	2284.48	−0.1	2286.88	2290.27	2163.82	3.46	2.79	1.67	21.61	63.49	1976.75
FTSE All-Share	2314.73	+1.3	2285.91	2290.99	1945.10	3.37	2.76	1.98	18.79	63.71	2067.39
FTSE All-Share ex IT	2320.36	+1.3	2291.13	2296.03	-	3.46	2.78	1.99	18.47	32.93	1066.06

FTSE Actuaries Industry Sectors

	Nov 20	Day's chge%	Nov 19	Nov 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4684.35	+1.9	4594.91	4637.58	3833.01	3.34	2.65	1.81	20.68	140.69	2120.63
12 Extractive Industries(5)	3062.50	----	3060.98	3104.66	4142.21	4.57	3.26	1.90	14.42	139.64	943.94
15 Oil, Integrated(3)	5180.28	+2.2	5068.66	5102.00	3968.29	3.38	2.71	1.77	21.00	164.87	2413.58
16 Oil Exploration & Prod(12)	3660.43	+2.0	3608.26	3715.13	2616.01	1.56	1.26	2.32	34.68	62.62	2263.63
20 GEN INDUSTRIALS(257)	1981.10	+0.3	1975.97	1980.80	1973.70	3.66	3.35	1.93	16.37	63.48	1144.06
21 Building & Construction(35)	1341.93	−0.3	1346.43	1352.96	1164.11	3.40	2.74	2.30	15.97	40.42	1180.24
22 Building Matls & Merchs(30)	1789.29	+1.1	1770.30	1778.62	1814.66	4.44	3.63	1.84	15.29	59.69	954.91
23 Chemicals(26)	2403.38	+1.2	2373.83	2388.58	2368.29	4.13	3.60	1.70	17.81	79.63	1205.63
24 Diversified Industrials(13)	1326.81	+0.2	1323.75	1307.20	1393.81	5.14	4.83	2.63	9.27	65.95	802.45
25 Electronic & Elect Equip(34)	2217.42	−0.4	2226.76	2233.89	2251.12	3.98	3.22	1.55	20.34	55.82	1209.42
26 Engineering(65)	2667.32	+0.1	2663.63	2675.70	2589.29	3.18	2.64	2.37	16.62	67.92	1693.11
27 Engineering, Vehicles(13)	3327.72	−0.5	3345.99	3347.34	3128.48	2.98	2.48	‡	‡	78.06	1804.34
28 Paper, Pckg & Printing(27)	2146.73	−0.1	2148.49	2162.06	2499.00	4.84	3.97	1.98	13.06	81.38	948.40
29 Textiles & Apparel(14)	1045.38	−0.3	1048.48	1049.53	1104.49	6.45	5.35	1.18	16.44	58.73	699.20
30 CONSUMER GOODS(85)	4636.57	+2.2	4537.47	4525.61	3681.02	3.25	2.77	1.83	21.02	132.22	1807.74
32 Alcoholic Beverages(7)	3331.36	+1.1	3294.80	3320.42	2700.42	3.84	3.24	2.14	16.03	101.52	1276.07
33 Food Producers(25)	3243.09	+0.6	3224.14	3215.78	2612.55	3.36	2.75	1.89	19.72	91.11	1548.23
34 Household Goods(17)	2821.41	−0.4	2833.61	2882.01	2598.14	3.54	3.09	2.48	14.23	89.62	1173.10
36 Health Care(14)	2205.54	+1.4	2175.86	2155.36	1949.80	2.33	1.94	1.90	29.71	52.46	1395.89
37 Pharmaceuticals(19)	7388.98	+3.4	7145.07	7073.70	5857.98	2.53	2.12	1.71	29.02	171.89	2816.56
38 Tobacco(3)	4516.98	+2.0	4429.98	4495.13	3893.96	8.24	5.51	1.66	12.07	240.05	1229.58
40 SERVICES(275)	2806.85	+1.2	2774.21	2793.67	2580.88	2.93	2.36	2.02	21.17	67.34	1526.27
41 Distributors(29)	2528.57	−0.4	2537.97	2539.11	2828.27	3.76	3.07	2.01	16.57	75.62	977.21
42 Leisure & Hotels(30)	3245.43	+2.0	3180.48	3173.96	3196.29	2.93	2.34	1.97	21.66	86.15	1811.26
43 Media(42)	4101.31	+1.3	4050.02	4061.77	4235.11	2.48	2.05	1.92	26.11	90.89	1535.10
44 Retailers, Food(15)	2627.30	+1.9	2578.66	2702.84	2053.45	3.21	2.57	2.28	17.10	66.43	1763.57
45 Retailers, General(53)	2334.55	+1.7	2295.75	2293.83	2087.81	3.12	2.50	2.15	18.60	63.26	1404.60
47 Breweries, Pubs & Rest.(22)	3365.06	+1.4	3318.15	3322.03	3163.07	3.39	2.71	2.32	15.90	68.56	1886.10
48 Support Services(58)	3353.26	−0.3	3361.99	3349.01	2664.26	1.83	1.49	2.40	28.45	41.46	2194.46
49 Transport(23)	2910.22	+0.3	2901.47	2903.91	2588.98	3.51	2.83	1.25	28.40	84.59	1261.36
60 UTILITIES(32)	3273.77	+1.3	3233.27	3246.00	2428.94	4.10	3.30	1.63	18.65	81.97	1527.21
62 Electricity(9)	3627.37	+1.5	3572.23	3587.05	2840.63	5.10	4.08	2.17	11.30	116.63	2064.18
64 Gas Distribution(2)	2409.67	+2.1	2361.02	2392.88	1493.35	2.70	2.16	‡	‡	61.42	1380.17
66 Telecommunications(8)	2540.89	+1.0	2515.25	2520.41	1996.33	3.47	2.81	1.47	24.44	44.69	1222.57
68 Water(12)	3103.65	+0.9	3077.36	3083.89	2272.59	5.43	4.35	2.22	10.37	90.96	1858.49
69 NON-FINANCIALS(667)	2355.95	+1.4	2324.20	2333.08	2036.58	3.42	2.81	1.86	19.67	64.42	1889.97
70 FINANCIALS(105)	4441.68	+1.0	4397.96	4384.32	3267.31	3.34	2.69	2.41	15.52	139.86	2022.95
71 Banks, Retail(11)	6506.45	+0.7	6463.82	6460.62	4653.81	3.22	2.58	2.53	15.32	186.05	2244.81
73 Insurance(17)	1912.51	+1.5	1884.72	1895.32	1554.84	4.61	3.80	2.79	9.72	83.95	1552.29
74 Life Assurance(8)	5483.89	+2.5	5349.22	5384.60	3817.47	3.33	2.74	2.26	16.58	162.17	2414.39
77 Other Financial(27)	3556.68	+1.3	3510.68	3278.67	2694.49	3.05	2.48	2.07	19.76	82.15	2132.72
79 Property(42)	2133.65	+0.5	2124.07	2138.11	1695.21	3.12	2.49	1.35	29.68	42.88	1376.09
80 INVESTMENT TRUSTS(126)	3266.05	+0.8	3240.79	3257.27	3124.04	2.34	1.88	1.16	45.92	58.51	1177.14
89 FTSE All-Share(898)	2314.73	+1.3	2285.91	2290.99	1945.10	3.37	2.76	1.98	18.79	63.71	2067.39
105 FTSE All-Share ex IT(772)	2320.36	+1.3	2291.13	2296.03	-	3.40	2.78	1.99	18.47	32.93	1066.08
FTSE Fledgling	1249.44	----	1249.11	1251.07	1215.88	3.28	2.63	1.20	31.98	34.42	1365.38
FTSE Fledgling ex IT	1270.66	----	1270.39	1271.61	1229.88	3.58	2.87	1.23	28.42	36.14	1382.30
FTSE AIM	982.9	−0.1	983.8	983.0	-	1.13	0.89	0.43	80.00†	7.09	903.90

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	4879.8	4867.0	4861.4	4862.4	4895.7	4903.7	4912.7	4895.9	4921.4	4826.0
FTSE 250	-	4636.5	4638.0	4638.2	4637.2	4638.0	4639.8	4640.7	4641.3	4642.4	4633.6
FTSE 350	-	2355.4	2350.6	2348.4	2348.7	2361.8	2365.1	2368.6	2362.1	2372.0	2334.2
FTSE SmallCap	2275.62	2275.75	2275.21	2275.41	2274.44	2274.23	2274.00	2274.60	2274.60	2275.83	2273.94
FTSE All-Share	-	2304.12	2299.65	2297.70	2297.92	2309.90	2312.80	2316.09	2310.17	2313.22	2284.74

Time of FTSE 100 Day's high: 2:50 PM Day's low: 8:36 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 2:50 PM Day's low: 8:36 AM. FTSE All-Share 1997 High: 2462.41 (03/10/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Voyageur Euro Smaller (FTSE Fledgling); Insert: Capital Opportunities Trust (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	505	488	+16
AMVESCAP	3,500	403	+10
ASDA Group†	3,600	185	+5½
Abbey National†	2,300	982	-8
Airtours	430	1130	-3½
Alliance & Leicester†	1,300	704	-11
Allied Domecq†	2,800	531	+3
Anglian Water	342	808	+8
[illegible]			

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 20 / Sch)

BELGIUM/LUXEMBOURG (Nov 20 / Frs.)

CZECH REP (Nov 20 / Koruna)

DENMARK (Nov 20 / Kr)

FINLAND (Nov 20 / Mkk)

FRANCE (Nov 20 / Frs.)

GERMANY (Nov 20 / Dm.)

GREECE (Nov 20 / Drachma)

ITALY (Nov 20 / Lire)

NETHERLANDS (Nov 20 / Gs.)

NORWAY (Nov 20 / Kroner)

POLAND (Nov 20 / Zloty)

PORTUGAL (Nov 20 / Escudo)

SPAIN (Nov 20 / Pts.)

SWEDEN (Nov 20 / Kronor)

SWITZERLAND (Nov 20 / Frs.)

TURKEY (Nov 20 / TkLira)

PACIFIC

JAPAN (Nov 20 / Yen)

HONG KONG (Nov 20 / H.K.$)

INDONESIA (Nov 20 / Rupiah)

MALAYSIA (Nov 20 / MYR)

NEW ZEALAND (Nov 20 / NZ $)

SINGAPORE (Nov 20 / S$)

AUSTRALIA (Nov 20 / Aus$)

SOUTH KOREA (Nov 20 / Won)

TAIWAN (Nov 20 / TW $)

THAILAND (Nov 20 / Baht)

AFRICA

SOUTH AFRICA (Nov 20 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 20 / Can $)

4 pm close

MONTREAL (Nov 20 / Can $)

4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 19 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 18 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	196.15	-2.8	172.04	157.82	176.69	189.29	-1.2	3.96	201.16	176.06	159.86	180.42	191.69	243.87	190.41	214.65
Austria (21)	190.14	-1.1	166.77	152.99	171.28	171.22	-0.7	1.96	192.35	168.34	152.86	172.52	172.46	213.59	175.14	184.06
Belgium (27)	250.76	-0.6	219.94	201.77	225.89	221.04	-0.2	3.12	252.28	220.79	200.49	226.27	221.52	261.11	221.31	228.74
Brazil (30)	219.35	3.1	192.40	176.50	197.60	447.17	3.2	1.65	212.81	186.24	169.12	190.87	433.35	322.44	176.94	179.77
Canada (122)	213.49	-0.3	187.20	171.73	192.26	218.84	-0.3	1.80	214.10	187.37	170.15	192.03	219.42	233.66	178.27	192.37
Denmark (32)	416.90	0.4	365.66	335.44	375.55	373.95	0.6	1.37	415.34	363.49	330.08	372.52	370.95	429.78	333.94	338.50
Finland (26)	306.96	-1.4	269.22	246.98	276.50	338.78	-0.8	1.85	311.29	272.43	247.39	279.20	339.65	349.49	232.86	236.35
France (84)	229.25	0.0	201.07	184.46	206.51	208.56	0.3	2.55	229.33	200.70	182.25	205.69	207.86	248.28	203.73	211.43
Germany (58)	217.34	-0.3	190.63	174.87	195.78	195.78	0.1	1.48	217.97	190.76	173.23	195.50	195.50	243.87	183.03	187.30
Hong Kong, China (66)	346.61	-0.9	304.01	278.89	312.23	344.04	-0.9	4.64	349.81	306.14	278.00	313.75	347.17	560.03	314.78	492.19
Indonesia (27)	105.21	-6.5	92.28	84.65	94.77	226.54	-5.5	2.97	112.46	98.44	89.39	100.88	239.78	254.90	101.96	224.16
Ireland (16)	376.58	-0.8	330.29	303.00	339.22	353.07	-0.3	2.78	379.63	332.24	301.70	340.48	354.01	394.88	310.26	318.80
Italy (53)	108.80	-0.4	95.43	87.54	98.01	137.88	0.0	1.72	109.23	95.59	86.81	97.97	137.85	115.27	79.11	82.68
Japan (483)	99.66	-5.8	87.41	80.18	89.77	80.18	-4.7	0.99	105.83	92.62	84.11	94.92	84.11	143.38	95.81	141.94
Malaysia (107)	198.13	-6.3	173.78	159.42	178.48	288.51	-3.9	2.72	211.41	185.02	168.01	189.62	277.36	660.85	198.13	586.27
Mexico (27)	1543.09	1.3	1353.43	1241.59	1390.02	13988.32	1.6	1.74	1523.87	1333.64	1211.05	1366.77	13762.13	1801.98	1147.96	1207.74
Netherlands (19)	404.45	-1.6	354.74	325.43	364.33	360.43	-1.1	2.39	410.85	359.56	326.51	368.49	364.63	440.67	313.78	324.93
New Zealand (14)	83.51	-1.7	73.25	67.19	75.23	71.27	-0.9	4.36	84.98	74.38	67.54	76.22	71.91	96.47	75.37	82.32
Norway (36)	339.60	-0.9	297.86	273.25	305.91	324.80	-0.5	1.88	342.54	299.78	272.22	307.23	326.35	374.64	277.33	280.15
Philippines (22)	88.12	0.4	77.29	70.90	79.38	153.04	0.1	1.34	87.80	76.84	69.78	78.75	152.86	214.07	78.40	197.55
Singapore (42)	236.11	-3.1	207.09	189.97	212.69	174.47	-2.2	1.82	243.70	213.28	193.68	218.58	178.43	446.01	215.21	408.38
South Africa (45)	271.24	-0.6	237.90	218.24	244.33	288.21	-0.5	3.00	272.86	238.79	216.84	244.73	289.54	370.12	259.47	333.34
Spain (33)	255.04	-0.2	223.69	205.21	229.74	282.64	0.3	2.39	255.50	223.60	203.05	229.16	281.81	277.33	196.95	196.95
Sweden (49)	478.52	0.2	419.71	385.02	431.05	535.53	0.4	1.93	477.70	418.05	379.64	428.45	533.39	539.94	402.43	407.14
Switzerland (93)	316.78	0.0	277.85	254.89	285.36	275.76	0.1	1.21	316.70	277.16	251.69	284.05	275.60	329.59	231.69	250.39
Thailand (39)	28.23	-1.8	24.76	22.71	25.43	43.77	-1.5	6.42	28.74	25.15	22.84	25.77	44.45	122.44	28.23	121.53
United Kingdom (215)	321.47	-0.4	281.96	258.66	289.58	281.96	-0.2	3.48	322.86	282.55	256.58	289.57	282.55	337.99	261.60	268.09
USA (644)	384.50	0.6	337.24	309.37	346.36	384.50	0.6	1.60	382.11	334.41	303.67	342.72	382.11	395.82	283.43	301.87
Americas (823)	349.90	0.6	306.37	281.05	314.65	294.74	0.6	1.61	347.17	305.84	275.91	311.38	292.93	355.75	268.24	276.06
Europe (706)	278.32	-0.4	244.11	223.94	250.71	254.77	-0.1	2.50	279.41	244.53	222.05	250.60	255.02	296.25	227.48	232.62
Nordic (147)	420.75	-0.1	369.04	338.54	379.01	411.17	0.2	1.83	421.37	368.77	334.87	377.93	410.43	464.93	345.30	349.18
Pacific Basin (875)	110.05	-5.1	96.52	88.55	99.13	89.13	-4.0	1.67	115.91	101.44	92.12	103.96	92.82	160.96	107.50	158.84
Euro-Pacific (1581)	180.25	-2.1	158.08	145.03	162.37	151.27	-1.5	2.20	184.13	161.14	146.33	165.15	153.61	208.12	173.55	199.52
North America (766)	373.72	0.6	327.78	300.70	336.65	373.41	0.6	1.61	371.56	325.16	295.29	333.26	371.24	386.57	298.61	295.19
Europe Ex. UK (491)	249.08	-0.4	218.45	200.40	224.36	233.83	0.0	1.93	249.96	218.77	198.66	224.21	233.90	267.07	202.63	206.48
Pacific Ex. Japan (392)	203.91	-2.3	178.85	164.07	183.68	196.21	-1.5	3.95	208.73	182.67	165.88	187.21	199.26	320.65	194.30	307.86
World Ex. US (1803)	184.01	-1.9	161.40	148.06	165.76	157.96	-1.4	2.16	187.61	164.19	149.10	168.27	160.15	212.89	176.94	191.63
World Ex. UK (2232)	241.64	-0.7	211.94	194.43	217.67	217.50	-0.4	1.70	243.26	212.89	193.32	218.18	218.34	262.69	211.16	222.16
World Ex. Japan (1964)	329.09	0.1	283.36	259.96	291.04	313.29	0.3	2.01	322.62	282.35	256.39	289.36	312.41	344.35	264.51	270.59
The World Index (2447)	249.43	-0.6	217.89	199.89	223.78	223.40	-0.4	1.89	250.02	218.81	198.70	224.25	224.22	268.47	216.61	226.11

 CONSTITUENT CHANGE WITH EFFECT 21/11/97: Delete: Winterthur (Registered) (Switzerland). PLEASE NOTE: Amendments to indices 11/11/97 to 18/11/97 applied to Philippines, related regional indices and The World Index. Latest prices were unavailable for this edition.

Emerging markets: IFC Investable indices

Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 20

- A -

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
39⅝	24¼	AAR x	0.48	1.2	30	550	d39¼	38⅞	39⅛	+⅛
56¾	33⅛	ABF s	1.04	2.4	32	6785	43⅝	42¾	43	
123⅜	78¾	AMR			9	10279	120⅜	115⅝	118⅞	+4⅛
37⅞	22⅞	ASA x	1.20	5.2	15	880	23⅝	d22⅝	23⅛	
60⅝	49⅝	AbbtL	1.08	1.7	26	13418	66⅝	64⅝	65⅞	
20⅝	12⅛	Abitibi	0.40	3.1	8	759	12⅞	12⅝	12⅞	
29⅞	17⅞	ABM Ind	0.40	1.4	24	14	27⅞	27⅛	27⅞	
28⅝	17¼	Acclaim			11	43	23¼	23	23¼	
101	56⅛	ACE Ltd	0.90	1.0	12	1321	97⅞	93⅝	97⅞	+4⅛
11	10	ACM Gvt In x	0.90	8.2	12	1358	s11	10⅞	11	
8⅛	7	ACM GvOpp x	0.63	7.8		34	8⅛	8	8⅛	

- X - Y - Z -

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
87⅞	54½	Xerox	1.28	1.7	19	12241	78½	75½	77½	+3⅛
53⅜	40½	Xtra Corp	0.80	1.5	19	96	53	52¼	52⅞	
30	20⅝	Yankee Egy	1.34	5.8	11	305	23	22⅝	23	
56	37⅞	York Inc	0.48	1.0	18	1003	48⅞	45⅞	46	
8¼	4	Zapata	0.39	2.8	81					
13⅞	7½	ZenithE				1232				
28¾	20⅞	Zenith Nat	1.00	3.8	18	144		27⅛	27⅝	
8⅞	7⅝	Zweig Fd	0.76	9.1		205				
28⅞	17⅞	Zeus x	0.12	0.4	19	38				
14	10½	ZweigFd	1.32	10.3		305	12⅞	12½	12⅞	
9½	9	Zweig Tot x	0.84	9.9		1230	u9½	9⅛	9⅛	

Price data supplied by Extel, part of FT information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z sales in full. ¶ Dealings suspended.

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مكتبة من الاصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 19	Nov 18	Nov 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7724.74	7650.82	7698.22	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.59	104.62	104.58	104.78 (31/7)	101.09 (14/4)	104.78 (31/7/97)	54.99 (1/10/81)
Transport	3092.75	3110.89	3149.57	3358.27 (15/10)	2222.07 (2/1)	3358.27 (15/10/97)	12.23 (8/7/32)
Utilities	251.22	249.53	250.53	251.22 (19/11)	209.47 (25/4)	256.46 (31/8/93)	15.53 (8/7/32)

DJ Ind. Day's high 7779.75 (7772.82) Low 7598.50 (7607.82) (Theoretical) Day's high 7759.98 (7720.61) Low 7685.53 (7643.21) (Actual)

Standard and Poors	Nov 19	Nov 18	Nov 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	944.59	938.23	946.20	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials‡	1102.50	1096.89	1105.91	1146.82 (7/10)	865.42 (11/4)	1146.82 (7/10/97)	3.52 (30/6/32)
Financial‡	112.17	110.44	111.60	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	493.90	491.18	494.88	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.84 (25/4/42)
Amex Comp	667.85	671.21	679.00	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/93)
NASDAQ Cmp	1601.22	1600.44	1614.11	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	430.89	432.13	435.65	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

RATIOS

	Nov 14	Nov 7	Oct 31	Year ago
Dow Jones Ind. Div. Yield	1.78	1.78	1.80	2.06
	Nov 12	Nov 5	Oct 29	Year ago
S & P Ind. Div. yield	1.56	1.50	1.55	1.84
S & P Ind. P/E ratio	24.36	25.28	24.60	22.99

US DATA

MARKET ACTIVITY

● Volume (million)	Nov 19	Nov 18	Nov 17
NYSE	582.640	528.040	584.490
Amex	37.548	31.559	31.131
NASDAQ	583.627	684.088	661.078

NYSE	Nov 19	Nov 18	Nov 17
Issues Traded	3,445	3,450	3,445
Rises	1,583	1,158	2,274
Falls	1,361	1,752	680
Unchanged	521	540	491
New Highs	96	92	158
New Lows	58	41	27

NYSE TRADING ACTIVITY — Volume : 582,640,000

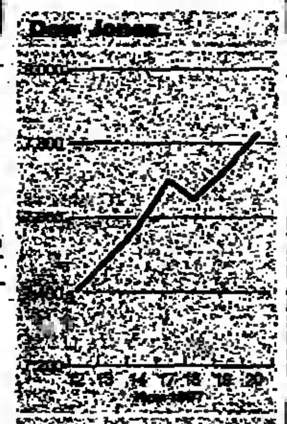
ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Int Home Fds	7,183,000	22¼	+2½
Compaq	6,431,000	64⅞	−1⅛
Tel Brasilei	5,827,000	102⅞	+3⅜
AT & T	5,336,400	52⅞	+⅛
First Union	4,932,800	49⅛	−⅛
Coca Cola	4,235,400	61⅞	+2⅛
Acer Stores	4,222,000	19⅝	+⅛
Medtronic	3,928,200	47⅞	+¾
Columbia	3,314,800	7⅞	−⅛
Halliburton	3,295,800	63⅝	−1¼

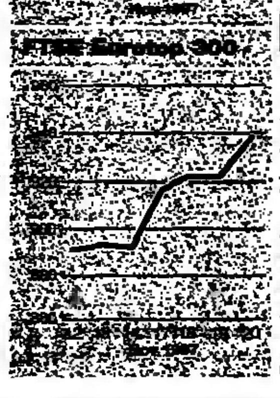
BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Intl Home Fds	22¼	+2½	+12.5
Grand NY	39⅝	+4⅛	+12.1
Grupo Elektra	28⅛	+2⅛	+7.7
Alliant Tech	57¾	+3⅜	+5.9
Downs			
SMC Inds	17¼	−13⅝	−44.1
ODD Sgain	15¾	−3⅜	−18.7
Cooper Inds	16½	−3½	−17.5
Nall Oilwell	29¼	−5¼	−15.2

NASDAQ TRADING ACTIVITY — Volume 583,627,000

ACTIVE STOCKS Wednesday	Stocks traded	Close price	Day's change
Applied Matl	11,317,600	34⅞	+⅜
Intel	10,738,600	75	+¼
Dell Comp	8,542,400	82⅞	−2⅛
Three Com	7,789,700	33⅞	−⅛
Franchise Mtg	6,868,400	19¾	+1½
Oracle	6,570,700	28	−1¾
Worldcom	5,546,400	31¾	−⅛
Informix	5,524,600	6⅞	−1⅛
Ascend	5,123,100	19⅞	+4⅜
Cisco Sys	4,984,700	82¾	+⅛

BIGGEST MOVERS Wednesday	Close price	Day's change	Day's chge %
Ups			
Jackson Hewit	67	+15½	+30.1
Ascend	19¾	+4⅛	+30.0
Sarmark Fin	23¼	+2⅝	+14.2
Allied Hldgs	20¼	+2¼	+13.3
Downs			
Iomics	7¾	−6¾	−46.3
Adflex Sol	16¾	−3¼	−16.4
Prinda Globm	32¾	−6⅛	−15.8
Heritage Bnc	20	−3⅜	−14.8





JAPAN

	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	16308.49	15942.46	16728.57	20681.07	15082.52	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 850,000,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Hokk Takus Bk	228110000	3	−2
Yamaichi Sec	31,488,000	80	+15
Sakura Bank	20,494,000	450	−12
Np Crd Bnk	14,922,000	115	+11
Ashikaga Bk	14,837,000	140	−7
Nippon Stl Cp	13,899,000	259	+2
Sanyo Secs	13,061,000	5	−1
Fuji Bank	11,774,000	769	−44
Mitsubishi Hvy	11,271,000	480	
Bk To-Mitsubi	10,506,000	1740	+40

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Tokaiyo Sc	84	+20	+31.3
Yamaichi Sc	80	+10	+23.1
Tostem Kgy	280	+50	+21.7
Fuji Car Mfg	199	+32	+19.2
Downs			
Yokohama Bk	158	−45	−22.2
Daiwabo	300	−80	−21.1
Iyosei Tank	137	−18	−11.8
Kiyo Bank	270	−35	−11.5

FRANCE

	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2821.18	2780.58	2782.81	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 365,667,480

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Fr Telecom	2,078,674	217.9	+0.9
Axa-UAP	1,938,580	415.8	+4.3
B.N.P.	1,697,992	281.0	+11
Usinor	1,331,628	91.85	+1.05
Worms & C	742,653	518.0	−1
Renault	666,305	163.8	+5.8
Rhn-Plnc A	667,323	263.9	+6.5
Paribas	581,504	424.8	+3
Euro Disny	580,687	7.85	+0.1
Schneider	528,973	317.4	+5.7

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
SAGA	151.8	+26.8	+21.4
BIMP	110	+10	+15.9
Bonduelle	960	+100	+11.6
Grp Gallis	215	+20	+10.3
Downs			
Fnor Ents	266	−34	−11.3
Chlge Urbain	380.1	−39.9	−9.5
Gllrer et Brbst	550	−55	−9.1
Immoble Lyon	521	−47	−8.3

GERMANY

	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	3915.94	3834.82	3833.47	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 7,972,448

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Hoechst	988,434	86.05	−4.8
Dt Telekom	898,493	34.75	+0.35
Siemens	562,613	103.9	+4
Commerzbk	555,367	62.9	+1.2
BASF	534,320	61.85	+1.25
Bayer	528,439	65.1	+0.45
Veba	457,412	104.05	+3.4
Deutsche Bank	444,712	113.7	+1
RWE	440,254	83.45	+4.85
Lufthansa Rg	390,815	30.15	−0.05

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Fielmann	55	+4.3	+8.5
Lahmeyer	82.5	+6	+7.8
RWE	83.45	+4.85	+6.9
Bad Kraft A	43.3	+2.3	+5.6
Downs			
Hoechst	86.05	−4.8	−5.3
Linotype Hll	85	−5	−5.6
Fresenius	272	−15	−5.2
Herlitz	103.7	−4.8	−4.4

UK

	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4908.4	4830.1	4845.4	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 781,900,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Lloyds TSB	38,829,900	804	−22
Safeway	17,406,420	328	−2
Vodafone	18,087,290	372	+16
Shell T&T	15,082,520	427¾	+17¾
BT	14,865,060	454¾	+1¼
Rank Grp	12,625,280	346½	−2½
SmKl Bchm	10,072,270	575	+17
GEC	9,910,003	401	−2
Brit Steel	8,424,405	148	+3
BTR	8,368,392	206	−4

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
UniChem	348	+58	+20.1
Alld Colloids	130½	+14½	+11.6
Oxfd Molecir	227½	+22½	+11.0
Capital Inds	142½	+12½	+9.6
Downs			
Flare Grp	62½	−17	−21.4
Goldn Hope	52½	−9	−14.8
Riverview	95	−10	−9.5
Holt (J)	2175	−225	−9.4

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	946.50	956.00	+8.20	958.50	946.80	110,786	371,375
Mar	963.00	965.80	+7.90	968.20	963.00	1,881	23,284
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	15970.0	16430.0	+580.0	16480.0	15800.0	25,347	177,855
Mar	16010.0	16400.0	+510.0	16430.0	15910.0	110	15,217

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2826.0	2834.0	+29.0	2842.0	2815.0	17,189	41,051
Dec	2837.0	2841.0	+29.5	2848.5	823.0	674	23,039
DAX							
Dec	3898.0	3942.5	+54.5	3954.0	3891.5	22,105	75,560
Mar	3944.0	3977.5	+50.0	3973.0	3944.0	443	6,653

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2385.25	2408.25	+53.25	2412.00	2385.25	7,618	21,339
Dec	2374.00	2415.00	+56.00	2421.25	2374.00	3,618	9,532
SOFFEX							
Nov	5616.0	5665.0	+79.0	5675.0	5610.0	9,158	12,190
Dec	5615.0	5673.0	+83.0	5682.0	5615.0	4,963	17,076

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Yield	P/E
Hungary	Bux	6734.82	6551.34	6594.90	[illegible]	4291.30 8/1	na	na

Error in pricing masked Matav shares, against the trend, and exchange officials will investigate.

Country	Index	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	3466.86	3454.85	3519.80	4548.02 5/8	3226.34 2/1		
	Crisil 500	641.76	638.50	648.32	843.29 5/8	622.71 2/1	na	na

Political worries lead to swings in the market.

Country	Index	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Yield	P/E
Poland	WIG	14368.5	14259.8	14894.4	16339.40 18/2	14259.80 19/11	1.77	10.6

Hotel chain Orbis started trading at 15.4 zlotys, 3.8 per cent below its Saturday privatisation sale price.

Country	Index	Nov 20	Nov 19	Nov 18	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3416.03	3401.08	3394.64	3998.81 3/10	2165.57 2/1	1.77	24.5
	PSI 20	7929.40	7869.02	7861.00	8806.82 3/10	6182.34 2/1		

Blue chips advanced but the rest of the market fell amid profit-taking.

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NASDAQ NATIONAL MARKET

4 pm close November 20

[illegible]

AMEX PRICES

4 pm close November 20

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EASDAQ

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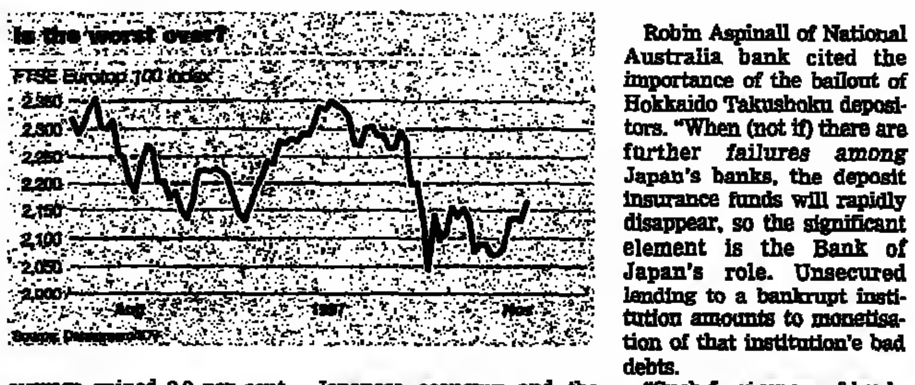
Pick-up in Tokyo provides a tonic

WORLD OVERVIEW

The Asian markets continued to be a source of bad news but the rest of the world was in determinedly cheerful mode yesterday, *writes Philip Coggan.*

The 11 per cent fall in the Malaysian market, after the government took over the Bakun dam project, another sharp *fall* in the Korean won, and a series of rumours about the health of Asian banks might have shaken the confidence of investors a month ago.

But yesterday they preferred to concentrate on the pick-up in the Japanese market, where the Nikkei 225 average gained 2.9 per cent.



Joe Rooney, global strategist at Lehman Brothers, said: "It looks as if the western industrialised world has all its eyes on Japan, which is justified by the size of the Japanese economy and the scale of its problems. Tha authorities have at last recognised that the banking sector is the problem and they are starting to take action."

Robin Aspinall of National Australia bank cited the importance of the bailout of Hokkaido Takushoku depositors. "When (not if) there are further *failures among* Japan's banks, the deposit insurance funds will rapidly disappear, so the significant element is the Bank of Japan's role. Unsecured lending to a bankrupt institution amounts to monetisation of that institution's bad debts.

"Such forgiveness of banking irresponsibility is anathema to any central bank, but in Japan's case is the only way out."

In Europe, the Bundesbank left interest rates on hold, as expected, and tha strength of Wall Street, both on Wednesday and at the opening yesterday, helped push most bourses higher. *The FTSE Eurotop* 100 index shows signs of stabilising after October's sharp falls.

In Frankfurt, the DAX regained the 3,900 level although there was disappointment at figures from Hoechst, particularly in relation to its pharmaceuticals operations.

Even Europe was not without its weak spots, however. Estonia took another battering with the Tallinn market dropping another 9 per cent to reach a level 61.6 per cent below its end-August peak.

Asian banks in the frame

Asia's growing banking crisis dominated trading on a number of exchanges yesterday, *writes Jonathan Ford.*

Fears that the region is facing a protracted period of high interest rates and worries about the funding position of some banks combined to send the sector sharply lower.

A rights issue for Krung Thai Bank, Thailand's second largest commercial lender, prompted selling of financials in Bangkok.

Krung Thai slipped Bt1.50 *to* 15.50, its limit *low*, as investors interpreted the move as a rescue. The banks sub-index ended 3.1 per cent lower.

In Jakarta, concerns about the outlook for Indonesia's *financial sector* were compounded by a statement from the Malaysian stockbroking group, Rashid Hussain, which *said that it* had been unable to find buyers for its 20 per cent stake in P.T. Bank Niaga due to "the circumstances in Indonesia at the moment".

Shares in P.T. Bank Niaga duly tumbled by Rp25, or 5.5 per cent, to Rp425. The news helped to drag the sec*tor lower, and Bank Negara* Indonesia declined Rp75, or 8.8 per cent, to Rp575.

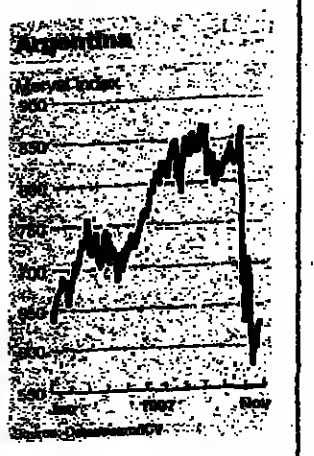
Malaysia also saw banking stocks in the frame after the central bank put out a statement denying rumours *that several unnamed financial* institutions were facing runs on deposits.

Banking shares dropped in Seoul following the post-market close announcement on Wednesday by the South Korean government of financial reforms, which promised to promote merg*ers of troubled* institutions.

Banking stocks ended 0.8 per cent lower on news that the funding risk premium for Korean banks had risen to record highs.

EMERGING MARKET FOCUS

Argentina keeps eye on Brazil



"The stock markat is down," trumpets a new billboard in downtown Buenos Aires. "And so is the cost of developing your photos!" That must seem like poor compensation to investors who have seen *almost* a third of their wealth wiped out by the recent slide in share values.

Fears of a slowdown at home and a recession in Brazil, Argentina's biggest trading partner, have *hit* shares in the auto, construction and banking sectors. Some carmakers are already laying off workers in the expectation of lower exports as last week's Bra*zilian austerity package* starts to bite. Unfocused fears of events in Asia have added to the nervousness.

Since the market took its initial tumble last month it has struggled to stage a durable rally, oscillating from day to day in thin volumes. On Tuesday, the Merval index of leading shares slipped 1.8 per cent, taking its accumulated fall since October 22 to more than 30 per cent.

However, the following day's 3.7 per cent surge propelled the Merval to an eight-day high of 620.68, which some analysts interpreted as a sign that the tide was turning.

"The market looks like it is recuperating," said Christopher Ecclestone of brokers Interacciones. "But peopla are still fealing around in the dark and working out what the effect of things in Brazil is going to be."

The AFJPs, Argentina's fast-growing private pension funds, were picking up some of the slack and buy*ing their favourite* shares as foreigners continued to exit the market, he added.

Brokers have been mapping out defensive positions for clients. Caspian Securities has urged inves*tors to pull out of cyclical* stocks, banks and any highly leveraged companies in favour of those with low debt and stabla revenua streams. The Argentine market, dominated by the energy sector and utilities, is well supplied with companies that fit this bill.

Argentine officials have also been *talking up* the Brazilian austerity plan's chances of success, and downplaying the extent of Argentina's dependence on its neighbour. Argentina, the argument runs, is not an *export-oriented* economy, and the share of exports which goes to Brazil is equivalent to less than 3 per cent of GDP.

"Most of what Argentina does export, such as commodities, are *things people* need come hell or high water, and the overall economic prospects for next year remain good," said Mr Ecclestone.

Although forecasts have been trimmed, *most* analysts are still assuming GDP growth of 4-5 per cent for Argentina next year.

The fear, however, is that Brazil might not be able to hold the line and preserve its exchange rate regime, dealing a blow to foreign investors' confidence in the region.

The Merval has shadowed São Paulo's Bovespa index almost slavishly since October 22. Breaking the link may prove difficult until the Brazilian market *looks more confident,* whatever the economic fundamentals.

Ken Warn

Dow surges back above 7,800 level

AMERICAS

The bulls took command on Wall Street yesterday as calmer overseas markets and falling Treasury bond yields helped put the Dow Jones Industrial Average back above the 7,800 level, *writes John Labate in New York.*

By early afternoon the Dow had gained 94.66 or 1.23 per cent at 7,819.40. The broader Standard & Poor's 500 index also climbed strongly, up 14.67, or 1.55 per cent, at 959.26.

Unlike Wednesday's blue-chip rally, technology shares were at the centre of buying as the Nasdaq composite index, which is heavily weighted in technology issues, rose 22.84 to 1,624.06 *for a gain of* 1.43 per cent. Smaller stocks were not left out either, and the Russell 2000 index rose 5.15, or 1.2 per cent, to 435.84.

Analysts saw falling bond yields and steadier equity markets overseas *as* tha main reasons for the strength of equities. By midday, the benchmark 30-year bond gained ¼ to 101$\frac{7}{32}$, sending the yield lower at 6.016 per cent and leaving many wondering if the yield might fall below 6 per cent.

"If you go through the 6 per cent level, the maths support rising stock prices, but the problem is you also need consistent earnings growth," said A. Marshall Acuff of Smith Barney.

The view among analysts is building that 1998 *economic* growth and earnings will be below 1997 levels, and the impact of Asia on earnings is still uncertain, he added.

"Earnings predictability is not what it was before the Asian crisis," said Thomas Galvin, chief equity strategist at Deutsche Morgan Grenfell in New York.

Falling bond prices helped send interest-sensitive *stocks higher. Travelers* Group rose 2\frac{1}{16}$ or nearly 5 per cent to 51\frac{1}{16}$. Banking stocks surged as the Philadelphia Stock Exchange index of leading banks surged 12.63 or 1.76 per cent *at* 733.56.

Banking shares also were helped by the recent merger announcemant by First Union and CoreStates. PNC Bank rose 1\frac{11}{16}$ to $52¼ whila Wachovia rose $2¾ at $77⅞.

Among computer-related firms, semiconductor producers climbed sharply. Intel gained 1\frac{13}{16}$ at $80¾ while Texas Instrumants surged almost 6 per cent to 103\frac{7}{16}$.

TORONTO recovared Wednesday's lost ground in the morning session, heartened by gains in Europe and Japan. The TSE index was 43.81 higher at 6,763.1, led by banks, industrials and consumer products.

São Paulo edges higher

SAO PAULO struggled to maintain early gains after opening more than 1 per cent higher on long-awaited administrative reforms and a surprise interest rate cut.

Enduring concerns about the economic outlook left the Bovespa index just 47 higher at 9,380 at midday.

SANTIAGO was higher at midsession after Brazil's interest rate cut. Investors have been watching Brazil with concern since it doubled intarest rates this month to fend off speculators. The SASE index was up 0.83 at 114.05.

BUENOS AIRES tracked Brazil, with the Merval index losing early gains to stand just 7.06 better at 627.94 by midsession.

New listings lift S Africa

Turnover was boosted by heavy trade in Driefontein and Billiton, with volume in those stocks representing about 20 per cent of the total market.

Traders said five new listings also helped volumes. Advtech Education Holdings closed at R2.55 from an opening R2.70. Thabex Exploration ended at R2.35 from R3.20, Trematon Capital Investments at R2.40 from R2.50 and Beige R1.45 from R1.50. Awethu Breweries came in at R1 and closed at R1.07.

The all-share index ended up 31 points at 6,423.

Bourses consolidate but investors stay nervous

EUROPE

European stock markets advanced yesterday, helped by a further rise on Wall Street and the recovery in Tokyo. However, analysts warned that investors *remained nervous about on*going turbulence in Asian markets.

FRANKFURT consolidated Wednesday's gains, with the Ibis-indicated DAX index pushing above the 3,900 level in spite of a weaker dollar. The index ended at 3,931.81, up 54.91 on the day, although volumes were thin.

Chemicals stocks came under pressure after poor nine-month results from *Hoechst, blamed on a weak* performance from its pharmaceuticals unit. The shares fell through the day, ending at DM66.05, down DM4.80.

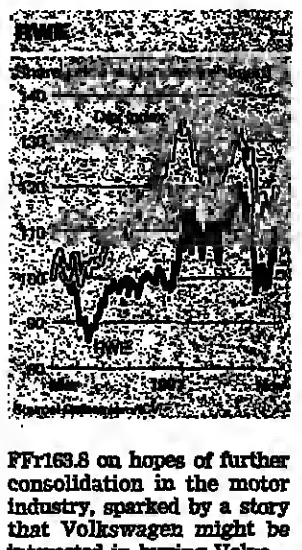
Other chemicals majors ended mixed. Bayer was *down 85 pfg at DM65,* while BASF was 42 pfg higher at DM61.80.

Utilities were in favour after Morgan Stanley put out a bullish note on the sector, saying it deserved a pre*mium rating as* a result *of* restructuring initiatives.

The US investment bank recommended RWE as the best value stock in the sector, helping the shares put on DM5.02 to DM85.22. Viag *also rose after it* was upgraded, rising DM7.10 to DM895.90. Dresdner Bank was DM1.97 firmer at DM72.55 on speculation of closer links with Allianz, which owns 20 per cent of its capital. Allianz rose DM6.25 at DM412.50.

Siemens rose DM4.45 to DM104.95 after the group said financial turbulence in the Far East would have little impact on its results.

PARIS was helped by takeover speculation as the CAC 40 index rose 30.63 to 2,821.19. Renault shares gained almost 4 per cent to FFr163.8 on hopes of further consolidation in the motor industry, sparked by a story that Volkswagen might be interested in buying Volvo.



A Swiss newspaper report that *Rolf Breuer,* chairman of Deutsche Bank, had said he was interested in expanding in France halped BNP *shares rise* 4 per cent to FFr281. While no bank was specified in the report, traders said Deutsche's investment banking arm, Deutsche Morgan Grenfell, was a heavy buyer of BNP stock yesterday.

AMSTERDAM was helped by gains in heavyweight stocks. Among them, Endemol, the television programme producer, was assisted by a "market outperformer" recommendation from Goldman Sachs.

The investment bank commenced coverage of the stock by saying it could reach Fl 46 and commented: "This company cen increase its earnings by about 11 per cent a year for tha next three years." Endemol rose from Fl 38.70 to Fl 43.

Royal Dutch gained Fl 4.4 to Fl 107.3 after Merrill Lynch upgraded its stance on the stock from "accumulate" to "buy". Tulip Computers issued a profit warning, saying it would incur a "significant loss" in the second half and its shares fell *Fl 2.3* to *Fl 11.8. The* AEX index rose 14.18 to 884.90.

ZURICH was helped by short-covering and futures-related buying ahead of options axpiry today, although trading volumes *were only moderate.* The SMI rose 78.7 to 5,650.4, helped by Nestle, which powered ahead after its interim report on Tuesday. Its shares gained SFr47 to SFr2,087.

MILAN ended firmer, helped by a *strong bond* market, on hopes of an early interest rate cut after favourable November inflation data from seven Italian cities.

Analysts said the data suggested that national *inflation could come* in at a lower-than-expected 1.6 per cent in November, opening the door for cuts in interest rates. The Mibtel index ended 209 higher at 15,296.

COPENHAGEN finished higher in spite of late profit-taking, with market interest focused on biotechnology group Novo Nordisk. Novo finished DKr48 at DKr820 after it said its brittle bones disease drug was going into final clinical trials. The KFX index gained 3.71 at 190.69.

Written and edited by Jonathan Ford, Martin Brice and Peter Hall.

FTSE Actuaries Share Indices — European series

November 20

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	938.84	+1.79	+16.54	2.42	0.02	944.64
FTSE Eurotop 100	2169.59	+1.81	+38.62	–	–	–
FTSE Eurotop 300 Regions						
300 UK	947.02	+1.88	+17.48	3.41	0.00	959.90
300 Ex-UK	934.47	+1.74	+16.00	1.85	0.03	938.59
300 Eurobloc	921.67	+1.77	+16.00	2.07	0.04	924.79
300 Ex-Eurobloc	951.57	+1.81	+16.94	2.66	0.00	959.66
FTSE Eurotop 300 Economic Groups						
Resources	954.34	+2.61	+24.24	2.87	0.06	967.62
General Industries	902.78	+1.62	+14.40	2.17	0.00	904.27
Consumer Goods	925.63	+2.11	+19.11	1.96	0.00	934.78
Services	956.87	+1.61	+15.14	2.31	0.06	962.89
Utilities	965.49	+1.69	+16.02	3.42	0.00	971.01
Financials	949.55	+1.51	+14.09	2.42	0.06	954.24

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Kuala Lumpur hits five-year low

ASIA PACIFIC

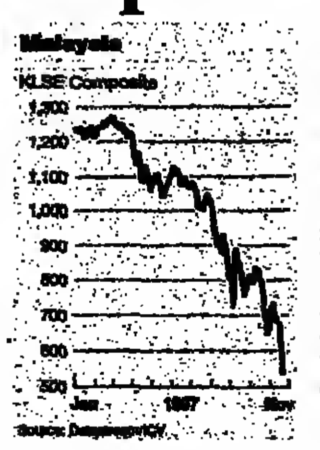
Shares plunged to their lowest levels in more than five years in KUALA LUMPUR, hit by renewed selling after the government said it was taking over the Bakun *hydro-electric dam project.*

The composite index fell 66.87 or 11.1 per cent to close at 535.6. The index has now fallen 21 per cent in three days.

The government's move was widely *seen as* a bailout of Ekran, lead contractor to the recently postponed project. Ekran's shares were suspended on Tuesday ahead of the announcement.

Analysts said the market's reaction reflected growing concern among investors about bailouts. The market started *falling on Tuesday* after United Engineers (Malaysia), a cash-rich infrastructure stock, said it had bought a 33 per cent stake in its cash-strapped parent Renong, a move criticised because it significantly increased UEM's gearing.

UEM fell a further 46 cents *to M$2.90 while other* cash-rich stocks were also singled out, notably gaming shares. Lottery operator Magnum fell 24 cents to M$2.28 and casino group Resort World was down 72 cents at M$4.10.



TOKYO continued its yo-yo motion, reflecting the government's very public *indecision on* whether to use public money to bail out the banking system, *writes Paul Abrahams.* After suffering its largest single-day fall on Wednesday, the Nikkei 225 index rose nearly 3 per cent or 446 points to 16,308.

The reason was prime minister Ryutaro Hashi*moto's statement* that he did, after all, support the use of public money to stabilise the financial system.

Turnover was a record for the year, 850m shares. The securities sector was among the biggest risers, up 4.3 per cent. Yamaichi, Japan's troubled fourth largest broker, rose 23 per cent or Y15 to Y80 after it announced it *had asked its biggest share*holder, Fuji Bank, to provide financial help. The bank retreated Y44 to Y769. Yasuda Trust, another bank which is part of the same business grouping, fell 11 per cent to Y160.

Among banks, Nippon Credit Bank, probably the most troubled of the big banks, recovered Y11 to Y115. Tokuyo City Bank rose 16.6 per cent to Y70.

Descente, the clothes manufacturer, fell 21 per cent to Y300 following its announcement *that an agreement* with Adidas would end in December next year. Sales of the German sportswear company accounted for 40 per cent of turnover.

The Nikkei 225 traded as high as 16,544 and as low as 15,831. The broader Nikkei 300 rose 1.49 per cent or 3.57 points to 243.7, while the Topix index of all first section shares was up 1.34 per cent or 16.42 points to 1,238.

In Osaka, the OSE index fell 175 to 16,895 in heavy turnover of 27.1m shares.

SINGAPORE was dragged lower by the turmoil in neighbouring Malaysia. The Straits Times index fell 39.94 to 1,641.03. Hardest hit were Malaysian *over-the-counter* stocks and the OTC index fell 6.7 per cent to 556.87.

BANGKOK fell to its lowest level for more than eight years, hurt by regional falls and a sell-off in telecommunications *and* banking shares. Fears of cash calls were behind falls in both sectors with the telecommunications sub-index falling 6 per cent. The SET index ended 12.19 lower at 422.18.

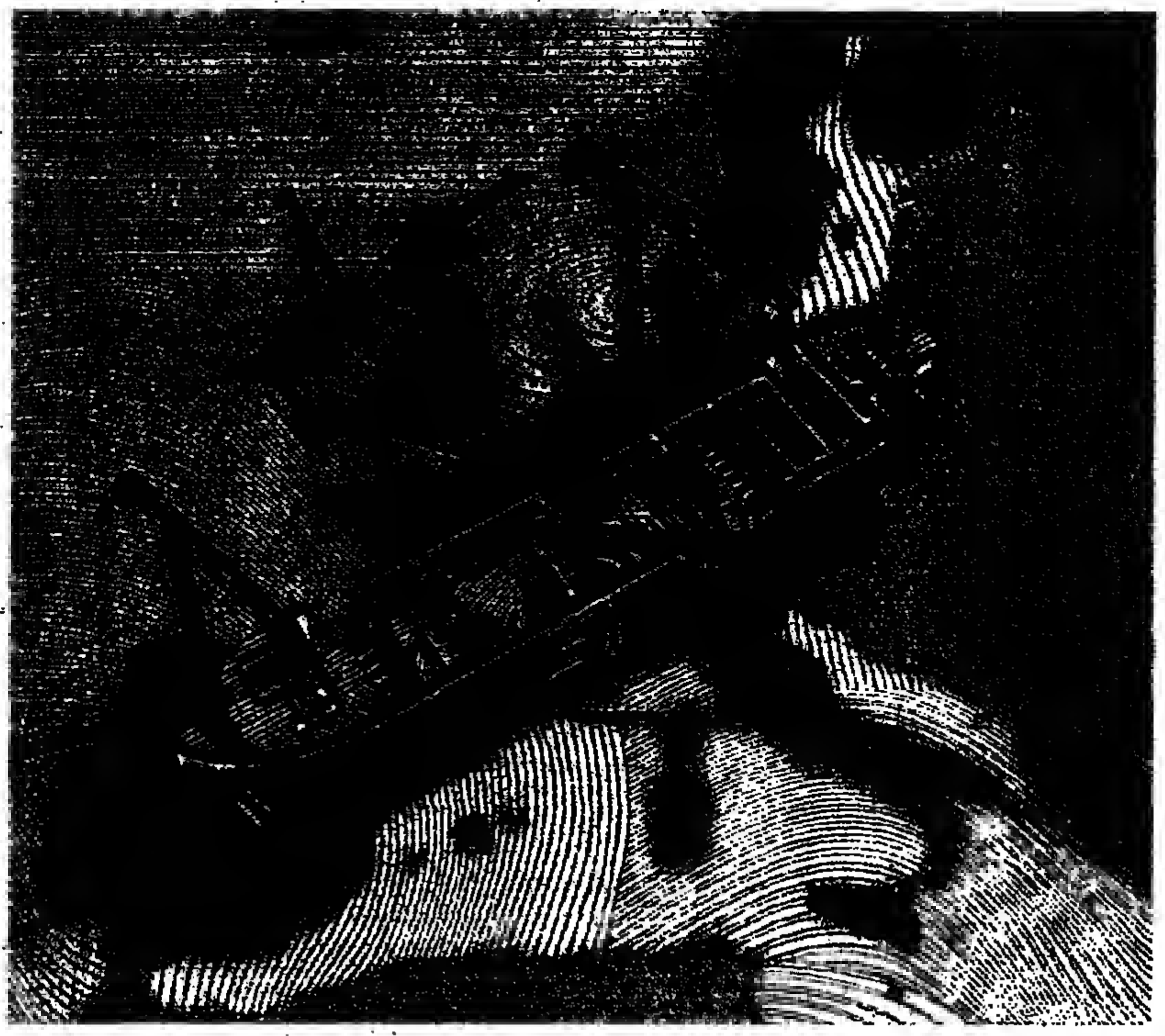
JAKARTA was nearly 5 per cent lower, hit by bearish sentiment in Malaysia *and financial worries* closer to home. The composite index ended down 19.52 at 396.13, its lowest since 1993.

SEOUL fell almost 3 per cent on continuing worries about South Korea's financial crisis, triggered by further sharp falls in the won and mixed reactions to the financial market stability measures announced on Wednesday. The composite index fell 14.18 to 488.41.

ECONOMIC AND MONETARY UNION

Although the single currency is only 405 days away, many uncertainties remain. **Wolfgang Münchau** reports

Life will not be the same under Emu



There are only 405 days to go until the scheduled start of European economic and monetary union, and depending on where ona lives in the EU this translates into approximately 275 business days.

Two years ago, not many would have bet that Emu would begin on tima. Six months ago expectations began to change, and today the 1999 start of Emn is as certain as any future event can be. The debate has shifted to who will participate and how Emu will work.

The number of countries participating in the first wave of Emn will be decided by heads of state and government in May next year. The financial markets expect 11 countries – all except Greece, the UK, Denmark and Sweden – to join in the first wave. Senior EU monetary officials caution that the decision may not be nearly as clear-cnt. Germany's monetary establishment remains deeply uncomfortable at the prospect of sharing the same currency with Italy and Spain.

Emu will have a profound effect on the strategy and operations of businesses – pricing policy, corporate finance, legal contracts and the internal systems. Its complexity makes it virtually impossible to forecast what the aggregate effect of Emu will be but almost everything will be turned upside down.

Economists have also found Emu an ideal platform on which to disagree. Like businessmen, economic forecasters also face uncertainties. They do not know whether price transparency, for instance, will force companies to put an end to differential pricing across the EU. The large European car companies may be keen to talk about bow Emu will affect tbeir lnternal operations, but they are suspiciously reticent on the qnestion of whether they will end price discrimination after 1999. In many cases, the decision has not yet been taken.

Will companies mark their prices up or down when converting national prices into euro prices? Under the rules, national currencies will convert into euros to six "relevant digits", which is bound to turn convenient round numbers into extremely odd figures. What will happen to a parking fine that converts to euro 6.57969? Will this fine be rounded down to euro 6 or euro 5, or rounded up to euro 10?

We do not know how people will form inflationary expectations. Will they still think in terms of local inflation rates as they used to when they dealt in national currencies?

The answers to all these qnestions are critical in assessing whether Emu will be inflationary or deflationary.

The establishment of a fiercely independent European Central Bank (ECB) may be a signal to financial markets, but on its own it cannot guarantee a low-inflationary environment, as long as the uncertainties persist.

Emu will challenge many strongly-held assumptions. The City of London, Europe's largest financial centre, never took the competitive threat of Frankfurt or Paris seriously, even after it was decided to locate the ECB in Frankfurt. But this might change now.

The first reports are coming in from real estate agents in Frankfurt that demand for housing is rising again – after a long period of decline. International banks are hiring more staff, including ECB watchers. Even the World Bank is opening a subsidiary office in Frankfurt.

A German central banker said that after 1999 the ECB's money market operation will ba channelled in such a way that only banks resident in the Emn zona will actively take part in securities repurcbasa operations. It is also almost certain that Target, the post-1999 euro payment system, will not be availabla to outsiders, such as the UK and Sweden, on the same terms.

This has been one of several issues on which the UK disagreed with the majority view in the European Monetary Institute, the forerunner of the ECB. The UK government recently decided formally not to join Emu in 1999. This means that the ECB will take its most critical decisions withont UK involvement.

It will opt for minimum reserve requirements – which do not exist in the UK – and a monetary policy based on monetary targeting, as opposed to the inflation-targeting approach common in the UK and some Scandinavian countries.

Eddie George, governor of the Bank of England, never tires of pointing out that the number of employees in the City of London is approximately equal to the entire population of Frankfurt. Given the difference in size, Frankfurt is unlikely to surpass London as Europe's largest financial centre, but this will not stop Frankfurt growing at the expense of London.

An example is Dentsche Terminbörse, the German futures exchange, which recently announced a link-up with other European futures exchanges. This pltches the EU-grouping head-on against Liffe, the London futures market.

Emn might also bring changes to the way companies behave. Mid-sized companies have traditionally relied heavily on commercial banks – often small local banks – for equity and dabt finance.

But the single currency will allow a sufficiently liquid capital market in corporate bonds to develop. Even a mid-sized company might find it more attractive to cut out the middleman, even if that middleman ls a long-standing friend. The lure of the junk bond might prove irresistibla.

Critics say these changes are so profound that Emu can never work satisfactorily. The most common criticism is that EU labour markets are not sufficiently flexible to accommodate asymmetric shocks – shocks that affect one part of the union but not the rest. Low labour mobility is often cited as a reason for inflexibility, as well as rigidities in nominal wages. Wages can go up, but they rarely go down.

But European labour markets have changed in tha past few years. German trade unions are now accepting flexibility clauses in labour contracts, which give companies much greater leeway in managing working time. For the first time also, a union – IG BCE, the chemical union – even agreed to opt-out clauses that give companies in distress the right to suspend the wage agreement. There is also some flexibility on wage levels themselves.

This may not be representative of the entire German labour market, but it indicates how Germany will be reforming its system. It remains to be seen whether these reforms will be sufficient to creata flexible labour markets.

In France and Italy, the drift of policy goes the other way. Tha governments in both countries are considering tbe introdnctlon of the 35-hour working week.

Many economists are concerned at the effect Emn will have on unemployment. Emn will not only create price transparency but also wage transparency. It remains to be seen whether Germany's wage costs can exceed those of other countries when all wages are expressed in the same currency.

Emn conld thus bring higher unemployment and lower prices in the short term and, through lts impact on core aspects of competitiveness, it may produce a long string of winners and losers. On top of this the distribution of incomes will probably widen.

Many Emu proponents have expressed the bope thet these pressures will accelerate tbe trend towards reform. Others are less sanguine.

Wilhelm Nölling, a retired member of the Bundesbank's central council and prominent Emu opponent in Germany, said EU economies had only succeeded in converging towards high unemployment and high levels of public debt.

He said lt would be extremely risky for countries, snch as Germany, France and Italy, with massive structural problems to enter Emu in the hope that tbeir problems will sort themseives out automatically.

Whether critics are right or wrong, it is safe to predict that life will not be the same under Emu. January 1 1999 will be the start of a long and difficult process.

IN THIS SURVEY

CORPORATE TREASURY DEPARTMENTS • By Wolfgang Münchau

A world turned upside down

Corporate treasurers will face fundamental changes in strategic areas

No single area of business will be more affected by economic and monetary union than the corporate treasury departments, the interface between companies and the financial system.

Not only will the way companies operate be affected, the changes could also fundamentally alter the structure of European financial markets.

The three core areas through which Emu impacts on corporate treasurers are foreign exchange, cash flow management and corporate finance.

Foreign exchange

Contrary to popular belief the main effect of Emu is not the elimination of transaction costs in foreign exchange operation. It is rather the *first* effect.

While transaction costs will come down, the savings generated are expected to be marginal. One expert referred to it as a "fringe benefit".

The real saving in foreign exchange operations is the elimination of foreign exchange risk. This trickles down the entire financial planning function. With Emu, financial planning across the EU is bound to become easier. Cash flow from a subsidiary based in one EU country can be input directly into the accounts of the parent company in another country without complicated risk adjustments.

Cash flow management

This is potentially highly significant. At the moment it can take up to five days for money to be transferred from one EU bank to another. The combination of Emu and various technical developments could drastically reduce transmission times.

Under Emu, the settlement process will be fundamentally reformed. At the wholesale level, suitable for large transactions, banks will use the so-called Target system, a real-time payments system, which allows immediate settlements.

Target stands for trans-European automated real-time gross settlement express transfer. The relatively high cost of the system will make it suitable for large-scale transactions such as those used in foreign exchange deals or large bond trades.

For smaller transactions, banks will have to rely on other complementary systems, such as the system operated by the Ecu Banking Association. The EBA system is currently a settlement system for the Ecu, the basket of European currencies, but will be extended to the euro from 1999 onwards.

The system will have a higher capacity and lower charges than Target. But unlike Target – where settlement occurs real-time – the EBA system is a net system, under which accounts are settled only at the end of the day.

There will be other ways in which money moves around after 1999. To transfer funds from France to Germany, the chain now goes from the debtor to a French commercial bank to the French central bank to the German central bank to the German commercial bank, before the money finally reaches the creditor.

Post-Emu, the French bank could deal directly through a German subsidiary or associate bank. John Atkin, economic adviser to Citibank in the UK, said: "There are going to be a number of ways of moving money around more efficiently. Money flows are going to speed up. There is a lot of cash flow tied up in the banking system at the moment. Once you move this out, it will go back into the corporate sector."

This in turn could fundamentally alter the relationship between companies and banks.

Several opinion surveys suggest that large multinational companies will reduce the number of their banking relations post-Emu because they will no longer have to have banks in each EU country.

There is a counter-argument though: central banks will still collect statistical information on cross-border payments.

This extra administrative burden means banks may be charging higher costs for cross-border euro transactions than for domestic euro transactions.

But this is unlikely to halt the trend toward greater concentration in the banking sector, according to experts.

Post-Emu banks will be competing Europe-wide as opposed to nationwide. That means that lending margins, which vary considerably, will converge over time.

John Atkin: when Emu arrives, *money flows will speed up*

Banks in Ireland, Spain and the Netherlands have among the highest lending margins, compared with those in Germany, France and Belgium which have the lowest.

The same will apply to other services offered by banks. Profit margin differentials are likely to converge, and most experts believe strong competition will force convergence at the lower end of the scale.

Corporate management

Most European companies, and almost all small and mid-sized companies, use only one form of external debt finance – the traditional bank credit. In the US, bank loans only account for 38 per cent of total debt and it is not uncommon for even mid-sized companies to fund themselves through the capital market.

The two segments of the capital market likely to strengthen are the commercial paper market and the corporate bond market.

Commercial paper (short-term instruments) is not very common in many EU countries. Mr Atkin said money market funds are likely to become a much more potent force after Emu. In the US they have been the main buyers of commercial paper.

But the most significant change is the forecast boom in the corporate bond market. Big multinationals already use corporate bonds as a prefered method of *external debt financing*. But the market is virtually closed to small and mid-sized concerns.

Under Emu, the European bond market will experience significant structural change. EU government bonds now carry triple-A ratings in national currency terms.

Some will continue to carry the highest rating, but the ratings of others bonds will fall. This is because under the Maastricht Treaty, the European Central Bank cannot bail out a defaulting government, while national central banks at present can.

This mean that for the first time, companies can enjoy higher bond ratings than their governments. An institutional investor, who seeks a particular country exposure, might therefore choose a corporate bond for his portfolio instead of a government bond.

Since investors no longer face foreign exchange risk, they might be able to accept higher risks in the bond market itself. This in turn could lead to the growth in the market for lower-grade high-risk bonds, better known as junk bonds.

This would obviously have significant implications for the debt strategies of mid-sized companies which may suddenly find they have access to a bond markets, where no such access existed before.

Commercial banks could be squeezed on two fronts. Not only will lending margins come down as a result of increasing cross-European *competition*, but the banks' traditional customers may use alternative finance options.

These developments are extremely welcome to users of financial services, especially smaller and mid-sized companies.

Opinion surveys suggest that mid-sized businesses are not as well prepared as larger companies in the EU. Once the reality of Emu sinks in, however, the world of corporate treasurers will be turned upside down.

CARDS • by Christopher Brown-Humes

Plastic out to achieve a triumph

The euro will help cards gain market share at the expense of cash and cheques

Card payment groups are rubbing their hands with glee at the prospect of European economic and monetary union, sensing that plastic money could be one of the big beneficiaries of the project.

"It's an unprecedented opportunity for expanding card payments," says Henri Ruff, head of the single currency unit at Visa EU.

Indeed, he suggests, the euro should help cards – whether credit, debit, or stored value – gain market share at the expense of cash and cheques. There should also be greater opportunities to market corporate and purchasing cards to businesses.

The reasons are not hard to discover. Between 1999, when Emu is due to start, and 2002 when the euro is introduced in cash form, the euro and existing national currencies will exist side-by-side in participating countries. The euro will be compulsory for wholesale payments while at the consumer level, payments cards and bank accounts can be denominated in the national currency and the euro.

But until the euro exists in physical form, consumers who want to pay in the currency will be able to do so only by using a card. This will depend on hotels, retailers, duty-free outlets and others being willing to handle such transactions and adapt their technologies accordingly.

Card groups believe the transition will help familiarise businesses and individuals with dealing in euro, reducing consumer confusion and a fear of losing out by dealing with an unfamiliar currency.

"There will be a three-year period when people can start experiencing the euro as a transition currency. It will help to educate the market place about the use and value of the euro," says Peter Warner, the euro programme co-ordinator at Europay, the consortium which manages the MasterCard and Eurocheque cards in Europe.

Stephen Perry, senior vice-president, finance and treasury at Visa EU, echoes the sentiment when be says: "Consumers will be dealing with a new currency and they will not feel entirely *comfortable with it for some* considerable time. When it comes to paying for goods and services, it will be as though they are on holiday in their own country."

The real prize for the card companies will be persuading customers who get used to card transactions during the transition not to migrate back to cash in 2002 when euro coins and notes are introduced.

Mr Ruff at Visa expects plastic to triumph. Indeed he suggests that the "acceptability of the cheque euro-wide will be very questionable after 2002." This is because merchants may decline to accept a cheque issued by a small European bank they have not heard of.

Peter Warner: three-year period to gain experience

If cards do reduce the use of cash and cheques, the development will be welcomed by banks, which in other respects are looking at higher costs and reduced revenues as a result of Emu. Hence the expectation that member banks in the "in" countries will increasingly offer euro-denominated payment card products to their customers.

Mr Perry says: "If our members can manage to foster and then harness consumer enthusiasm for the euro, they will be better placed for the eventual arrival of *the physical* currency. If they can drive more cash out of the system, the industry's largest collective cost base can be significantly reduced."

Both Visa and Europay say it is hard to quantify possible card growth as a result of Emu, although both say it will assist overall growth in the market. Visa predicts spending on cards could triple over the next three to five years.

Europay, *which has 122.7m* debit cards in issue and 37m credit cards, says it has three priorities in the run up to EMU. First, compliance – ensuring that its systems are capable of processing transactions, including settlement and billing from January 1 1999. Second, minimising the impact on member banks, and third, *maximising opportunities* both for itself and member banks.

The technical side should not be difficult because card companies are used to dealing in different currencies. Indeed, they have recent experience of adding a host of new currencies following the collapse of communism in the Soviet Union and eastern Europe.

Finally, the euro is a chance for the card industry to give another push to the use of stored value cards, or electronic purses, such as Mondex (where MasterCard plays a leading role) and Visa Cash. At present there are about 100m electronic purse cards circulating in Europe but they only work in the country of issuance. The euro will provide a chance for them to function over borders. Indeed, since retailers and vending machine operators will have to change their equipment to cope with the euro, the aim is to persuade them to upgrade their systems to deal with stored value cards, at the same time.

"We are working very closely with our banks to define minimum *standards* for cards and terminals to allow purses to operate cross border," says Mr Warner at Europay.

CASE STUDY Saint-Gobain

Quick to start preparing for Emu

Saint-Gobain, the French glass, ceramics and abrasives manufacturer, is a company with impeccable European credentials. Little surprise then that it was quick off the mark in starting detailed preparations for the expected arrival of the planned *single European* currency: the company created a project team charged with providing for and coping with the introduction of the euro as early as January 1996.

François Janny, treasury and financing director, recalls that many said the move was premature at the time of the six-member team's creation. But there has been plenty of ground to prepare in the intervening period. And with each month that passes, the group's initial assumption – that the new currency would be introduced on time in 1999 – looks more likely to be correct.

Mr Janny says the team's *first task was to* draw up an inventory of what needed to be done – a task accomplished in the first half of 1996. "The conclusion was that there were many internal problems to resolve", he says, "And that a clarification of the regulatory framework was necessary. But we identified no major problems.".

"We quickly realised that the biggest problem would be the updating of computer systems. We had to tackle the problem in a decentralised way since the group does not operate with a common software package."

François Janny: a problem updating computer systems

Saint-Gobain: a company with impeccable European credentials

It was at this point Mr Janny and his colleagues *realised that Saint-Gobain's* more than 200 European subsidiaries would need to be involved in the project *from an early stage. As a* result, additional four- or five-member teams were established in the main countries which would be directly affected by the new currency's introduction.

There is no team in the UK because, according to Mr Janny, the company's working hypothesis was that, while the euro would probably have a "wide base" (meaning the currency would be introduced from day one in southern European countries such as Spain and Italy), the UK would probably not join from the outset. "The British are kept informed but are not in the teams", Mr Janny says.

In non-EU countries where the company operates such as the US and Brazil, a so-called *note de doctrine*, designed for everybody in the group, has been circulated. This sets out the main principles underlying the group's handling of the currency's introduction.

The next step was to draw up an analysis chart, with the help of the group's computer experts, setting out what each subsidiary should do to prepare for the euro's impact in this key area. This suggested that units list all programmes incorporating monetary values (virtually all of them); contact suppliers of their software packages to ask them how they were tackling issues arising from the new currency; and try to form "clubs" with other users to *exchange* information.

Mr Janny says the company is trying to make sure any potential problems linked to the so-called millennium bug are sorted out at the same time as it undertakes this operation.

The central team has also asked subsidiaries to think about what changes they might need to make in their internal organisations as a result of the euro's introduction.

Mr Janny says the team has not asked for lists of suggested changes, but it will take note of the dates subsidiaries have chosen to shift to the new currency. "We think at the holding company level, our responsibility is to follow how things are going and, if there is a problem with the *data, to sound the alarm.*"

The group has decided on a flexible approach to making the switch, moving to the euro from January 1 1999 for its consolidated accounts, but allowing subsidiaries to decide at what point in the three-year transition period they will make the change.

Mr Janny says he should know which units have opted to make the move at the first opportunity early in the new year, and those that have decided on January 1 2000 by the end of June 1998. The most significant figures in the group's consolidated accounts will be given in euros as well as French francs in 1998 and in French francs and euros until the end of the transition period.

He thinks subsidiaries supplying glass to the automotive industry might well switch at the earliest opportunity. By contrast, building materials businesses, whose clients tend to be more locally based, will probably be among the last to move. The group will give itself a one-year "safety margin" by insisting all subsidiaries start accounting in euros by January 1 2001, unless there are reasons not to do so.

Commercial decisions relating to price lists, the rounding of national currency amounts into euros and whether to give prices in national currency and euro terms will also be decentralised. "It is essential for people close to the business to take those *decisions*", Mr Janny says.

Perhaps surprisingly, the group has not imposed a cost ceiling on subsidiaries for making the changes. Mr Janny seems more concerned that they may not spend enough to ensure the transition goes well.

"They could be tempted to say 'we won't do it now to save money'", he says. "To prevent that we have fixed the rule that all costs linked to the euro are expensed as charged." He thinks the overall cost to the group will "probably be measured in tens of millions of francs". Most of this expenditure is still to come.

David Owen

FINANCIAL MARKETS • by Edward Luce

Derivatives exchanges jostle for position

Most agree that the market will shrink quite dramatically after Emu

One trading day last month, German derivatives officials found the perfect excuse to pop the proverbial champagne cork. After months of intense competition, Deutsche Terminborse – Germany's main derivatives exchange – had finally overtaken its London counterpart in trading on the key futures contract on the 10-year German government bond.

The DTB's market share in that contract has since settled at *about an average* of 48 per cent per day. Liffe – the London International Financial Futures and Options Exchange – accounts for the rest. But the event was undoubtedly a cause for celebration in Frankfurt.

"We have proved that we can overtake London in the most traded bond future in Europe," said a DTB official. "*This means* that we can win dominant market share in the euro after 1999."

Europe's leading derivatives exchanges are jostling frantically for market position in advance of European monetary union in January 1999.

The abolition of up to 13 currencies and 13 separate interest rates will drastically reduce the cross-border volatility on which derivatives thrive.

Derivatives – futures and options contracts which are based on underlying instru*ments such as* shares, bonds or interest rates – will be one of the principal casualties of Emu.

Officials at *Liffe and DTB* are, therefore, focusing on how to win dominant market share in the contracts which will be based upon the future euro.

Earlier this year, the DTB, which trades about half the volume of contracts traded on Liffe, announced a tie-up with Matif, its Paris-based counterpart, and Soffex, Switzerland's leading derivatives exchange. The alliance, which will enable clients to trade in the contracts offered by all *three* exchanges on just one electronic system, was seen as the first blow in a war to undermine Liffe's dominance.

Overtaking – albeit briefly – Liffe's volumes in the long-bund future was viewed as the second blow. "Liffe cannot afford to be complacent," said an official at a brokerage company which trades on Liffe. "DTB and its partners are starting to catch up with it."

The continental alliance, which will also involve a common settlement system and a formula for revenue-sharing, has not yet got off the ground. But officials are confident it can undercut the cost of trading on Liffe.

Unlike Liffe, which retains an "open outcry" pit *trading* system for most of its contracts, the DTB is entirely electronic. Matif, which operates a hybrid open outcry and electronic system, will introduce all new contracts solely on its screen-based trading facilities. This will effectively isolate Liffe as the only pit-trading system of any note left in Europe. *Is* this an advantage or a problem?

Executives at Liffe argue that open outcry provides the sort of liquidity which is still unavailable on screen-based trading. This means that traders can buy and sell billions of dollars worth of underlying contracts within *seconds without overloading* the system.

Proponents of electronic trading say this is no longer the case for trading in futures contracts on government bonds – the German long-bund for example. In addition – and most importantly – *they claim it is* several times cheaper to trade on a screen than it is to maintain an army of salaried brokers on a trading floor. Jörg Franke, director of DTB, says clients are increasingly moving towards electronic trading in a move to squeeze cost-margins.

Mr Franke concedes that open-outcry remains the more liquid system for trading in short-term interest rate contracts or on options – where Liffe still commands more than 90 per cent of volumes – but says the gap is narrowing as software becomes more sophisticated.

Officials at Liffe say they *are keeping their options* open. But the fact that the exchange is planning to shift to a much larger floor in Spitalfields (on the edge of the City of London) has persuaded many that Liffe is irrevocably committed to open outcry.

"*Why pour all these* overheads into floor space if you are going to find out that all you need is one small room with a computer in it?" asked one brokerage official.

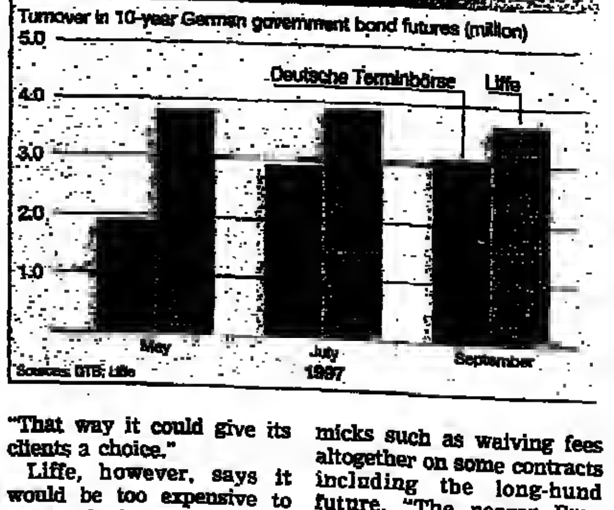
Analysts also point out that Liffe ironically owns probably the most sophisticated electronic system in Europe – the Automated Pit Trading system which has recently been upgraded. APT, however, is only used for after-hours trading although it will form the basis of strategic links with other exchanges after a pit-trading link-up proved disappointingly illiquid.

"The question everybody is asking is why Liffe does not allow trading on APT and on the floor at the same time," asks one broker. "That way it could give its clients a choice."

Liffe, however, says it would be too expensive to operate both systems simultaneously.

The argument between traditionalists and technologists is unlikely to abate. In the meantime, both Liffe and its continental *rivals* are attempting to woo customers with new products and gimmicks such as waiving fees altogether on some contracts including the long-bund future. "The nearer Emu gets, the more intense the competition will be," says one official in London.

Few are confident enough to predict who will predominate. But most agree that the market will shrink quite dramatically after January 1999.



GERMANY • by Peter Norman

Potion loses a little bit of its magic

The debate is centred on how Emu will affect a nation in need of reforms

With less than 14 months to go before the planned start of economic and monetary union, concern in Germany has shifted from whether it will qualify for the single currency to whether it will be fit to sustain membership over the longer term.

The heated debate over whether Germany should achieve a precise "point landing" on the Maastricht treaty public deficit criterion of 3 per cent of gross domestic product has subsided, as has the controversy over a possible delay to Emu.

This in part reflects political developments. The weak performance of Henning Voscherau, the Social Democrat party candidate in Hamburg's state elections in September, made politicians think twice about campaigning against the euro. Mr Voscherau, *who called for a referendum* on the single currency during the campaign, resigned as governing mayor after his party suffered its *worst result* in the city-state since the second world war.

On the economic front, relatively robust growth of around 2.5 per cent this year should enable Germany to meet the entry criteria despite weak tax revenues.

The Bonn government's hopes were given a boost when the European commission and Germany's six leading economic research institutes, in their autumn forecast, concluded that the deficit would be exactly 3.0 per cent of GDP this year.

The institutes forecast a further fall to 2.5 per cent in 1998. Theo Waigel, the finance minister, shrugged off a later forecast from the government's independent five-man council of economic advisers that the deficit this year would be 3.1 per cent of GDP, falling to 2.6 per cent in 1998, on the grounds that it had not taken account of late changes to federal budget plans for 1997.

The long-held belief of Helmut Kohl, the chancellor, that the euro will start on schedule on January 1 1999 with Germany meeting the *Maastricht criteria* has become widely accepted by the German political class, by businesses and in financial markets.

Big companies are forging ahead with preparations for the change. The federal government has produced draft legislation to facilitate the single currency's use from 1999, including changes to company law, so that companies can draw up balance sheets and denominate their capital and shares in euros.

With the 1999 start for Emu looking more certain, the debate about the project is now focusing on how it will affect a nation in need of far-reaching structural reforms to combat record unemployment, dwindling tax revenues and rigid labour markets.

Helmut Kohl, the German chancellor, has promoted the euro as a political objective to secure "peace and freedom" for Germany and its *neighbours through deeper* European integration. Other influential members of his Christian Democratic Union have cast Emu in the role of a disciplinary agent on national governments that can break the vicious circle of rising unemployment and growing budgetary strains.

Horst Köhler, Theo Waigel and Helmut Kohl: as 1999 nears the single currency debate becomes more heated

A policy statement produced in September under the auspices of Wolfgang Schäuble, leader of Mr Kohl's CDU and its Bavarian sister party in the Bundestag, said Emu offered a way to combat deficiencies such as excessively regulated labour markets, excessive and complex taxation, outdated education and training systems, imbalances in the *old age pension system and* the continuing rise in health care costs.

Mr Schäuble's paper recognised that Emu could be a problem because the painful effects of economic adjustment would be felt long before benefits accrued. And, indeed, other leading opinion formers have stressed that the single currency will be no magic potion that solves Germany's ills.

Last month, Horst Köhler, head of the German savings bank movement and the man responsible for explaining the euro to millions of savings bank customers, noted with concern that the debate about Emu in Germany has paid little attention to the strains that will be unleashed once exchange rates are locked among the participating states.

Without an exchange rate "buffer" between countries, future wage levels will have to be more closely oriented to regional or sectoral productivity trends. An absence of such flexibility could lead to more unemployment and pressure for more transfer payments through the EU budget, Mr Köhler warned.

Similar concerns have been expressed by Manfred Neumann, professor of economic policy at Bonn University and chairman of the economics ministry's council of expert advisers. He told a hearing organised this month by the CDU/CSU that Emu would accelerate the pace of structural change and lead to more mergers. The increased pressure on companies to rationalise would not help solve the crisis of Europe's 18m jobless.

Other academics are less pessimistic. Peter Bofinger of Würzburg university told the same CDU/CSU meeting that the euro would make German jobs safer because the country would be spared future currency shocks.

This view is shared by Mr Waigel, who told exporters this month that a stable euro area and the large EU internal market would muffle the impact on Germany of world currency and economic crises. However, the minister underlined that the euro would provide no protection from the necessity for far-reaching structural change unleashed by globalisation.

The need for Germany to adapt for the euro and globalisation has been underlined by Hans Tietmeyer, the Bundesbank president. "There is no question that a lot of homework has to be *done*. There is no question that we have to solve problems," he told the FT.

Germany, he said, had to make sure it had a satisfactory tax revenue base over the long term. It needed less red tape and more dynamism and flexibility, particularly in the labour market, its bureaucracy and its legal and welfare systems. The likelihood of a record export surplus this year did not mean the economy was healthy. "When it comes to sustainability (of Emu), it does not count if just one sector does well. It depends on how the entire economy is faring," Mr Tietmeyer said.

It was an uncomfortable message, laden with what the central banker called "hard realities". But Mr Tietmeyer's remarks have a positive aspect. They are fuelling a debate in which Germany is at last facing up to the economic and social challenges of Emu.

CASE STUDY **Siemens**

A basis for expansion

Siemens, the German electronics multinational, wants to be ready when the going gets tough. To that end it has been preparing comprehensively for the conversion to the euro. From the beginning of 1999 – when the euro is introduced for non-cash transactions – the company will be able to conduct all its external business in the new currency.

On October 1 1999, the start of its *first* fiscal year after the euro's introduction, it will also convert its accounts and records. Karl-Hermann Baumann, a member of its executive board, emphasises: "From that *point on, the euro* will be the company's official currency."

Over the past two years, the Munich-based enterprise has been fine-tuning its activities in numerous specialised areas: business transactions, accounting, treasury, tax and legal arrangements, purchasing, human resources and data processing.

At a more fundamental level, the introduction of the single European currency will affect Siemens's corporate strategy. "The euro is expected to accelerate the integration of European markets," says Mr Baumann. "This will strengthen our European business and provide the company with a solid foundation for further expansion in the fast-growing Asia-Pacific region, the Americas and Eastern Europe."

Mr Baumann, who is responsible for finance, expects increased price transparency to intensify competition and erode the price differences that persist despite the convergence which has taken place since 1992. "General price reductions in Siemens' business will continue," he predicts.

On the other hand, he expects some regional price differentials to remain because of transport costs, local variations in labour and component costs, and differences in the strength of competitive pressure. "This should not be surprising considering that even in the US there are significant regional differences in the prices of consumer and industrial goods", he says.

Mr Baumann believes that European monetary convergence will, nevertheless, cause "painful short-term adjustments in some cases." Companies will have to adapt their pricing and payment policies accordingly. "The introduction of Euro-pean-wide price lists and discount schedules will vary from branch to branch, but price pressures can be expected to increase across the board", he expects.

Competition will intensify among dealers and suppliers as well. Retailers have to join forces and increase their effectiveness – a structural change that large-scale distributors have had to go through already. For suppliers, demands for low prices, high quality and good service will rise. "Every company will be measured against an increasingly high standard of performance and cost. Siemens must adapt to this just as its suppliers must," Mr Baumann believes.

More than half Siemens's sales and expenses are generated in the currencies of the likely euro-area so *the company expects to* make annual savings in the two digit million range of German marks. The company will no longer have to spend as much hedging against interest and exchange rate movements, and transaction costs for cross-border payments will be lower.

In addition, smaller differences in interest rates within the euro-zone will save significant amounts of money, says Mr Baumann. Siemens will need fewer bank accounts and improvements in cash pooling and management within the euro-area will also be possible. It should be able to simplify business transactions and logistics. Mr Baumann predicts that there will be more co-operation between Siemens's regional units.

On the cost side, Siemens expects higher expenditures primarily in data processing. "We want to use this challenge as an opportunity to streamline our software and prepare for a seamless transition to the year 2000," Mr Baumann says. During the transition period from 1999 to 2002, before euro bills and coins are introduced, Siemens expects conversion costs to exceed DM100m or roughly 3 to 3.5 per cent of total data processing costs.

But "our euro-investment will pay for itself through associated savings within three years", Mr Baumann predicts.

When Siemens converts to the euro on October 1 1999, the company's internal transfer prices – used to price goods and services traded between different parts of the group – will in most cases be quoted in euros.

Seven countries – Belgium, Ireland, Italy, Luxembourg, the Netherlands, Austria and Finland – will permit companies to switch to the euro in their accounts, tax declarations and tax payments from the 1999 financial year.

In France and Germany, governments have not finally decided whether they will allow tax declarations in euros.

Jens Tartler

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FOREIGN EXCHANGE • by Wolfgang Münchau

Risks aplenty when converting 15 into 1

Exchange rate conversion is a crucial question in the run up to Emu

One of the most risky aspects of economic and monetary union is potentially that of the mechanism of exchange-rate conversion ahead of 1999. This process has to fulfill a series of conditions. First, it must be fair and reasonable. In addition it must not encourage speculation, and it must withstand speculative attacks.

EU finance ministers recently opted for the so-called pre-announcement strategy. Under this approach, the bilateral conversion rates of the participating currencies will he announced in early May 1998, at the same time that EU beads of state and government cboose the participants in the first wave of Emu.

The route from the present position of 15 EU currencies to a single currency is not as straigbtforward as it may appear because of what economists refer to as tbe "indeterminacy" problem. An analogy would be a fixed exchange-rate system comprising three currencies. If two parities were fixed, then the third parity is determined from inside the system. There is no degree of freedom left for a policy-maker to fix the third parity.

This problem was overlooked at Maastricht and subsequent meetings. When EU leaders decided that the Ecu, the basket of EU currencies, sbould convert to tbe euro at a rate of one-to-one, they created an indeterminacy problem for themselves. They had no way of choosing euro exchange rates.

The problem arises because not every member of the Ecu group will be part of Emu. The Ecu's rate against tbe dollar also depends on tbe dollar exchange rates of currencies, sucb as the pound, that will not participate in the first wave of Emu.

Because the pound will fluctuate against tbe dollar throughout 1998, it will be impossible to decide in advance the rate at which the national currencies will convert against tbe euro. This information will be availahle only on January 1 1999.

The idea is to give a sufficiently early signal to the financial markets to prevent a speculative attack ahead of January 1 1999, Emu's scheduled starting date.

By announcing the rates, ministers hoped that EU currency would glide smoothly into Emu. Any difference between the market value and the announced conversion rate would be small and accounted for by differentials in short-term interest rates.

George Soros: non-event for a speculator. Hans Tietmeyer: first wave members will determine stability

The core Emn group of Germany, France and Benelux already have identical short-term interest rates, currently at 3.3 per cent, so that arguahly most of the short-term interest rate convergence process has already taken place. This would imply that from May 1998, the exchange rates of the Emu participants would be de facto fixed.

Two critical questions connected with this approach are: how will these rates be determined and how do foreign excbange strategists and investors regard this process?

Two pre-announcement strategies have dominated the debate so far: historic average exchange rates over a two-year or three-year period, or central rates in the exchange-rate mechanism.

It looks as though the simple option of central ERM rates is likely to prevail. It has the advantage that tha currencies of the likely first-wave members of Emo already trade close to their central parities, which in turn is in part due to market expectations that ministers will choose precisely this system. It is a virtuous circle.

One problem with historic averages is bias. For example, since 1994 the French franc has traded consistently below its parity, expressed in D-Marks. The Italian lira traded substantially below its current parity until it rejoined the ERM, since when its exchange rate fluctuated randomly around the central rate, with relatively small swings. The Austrian shilling has been fluctuating against the D-Mark with no discernible bias for 20 years.

If the historic-average measure was chosen, there is a risk that the conversion rate deviated from the prevailing market rate. In reality, the foreign-axchange market would normally compensate for any such divergence. If the market expected the conversion rate to be lower than the current market rate, the market rate itself would fall towards the conversion rate. In normal circumstances, both systems would work equally well. Under strain, central parity might have an edge.

An important consideration in the decision to opt for a pre-announcement was the need to avoid a sudden jump in the exchange-rate between December 31 1998 and January 1 1999. Crucially, the Maastricht Treaty stipulates that Emn must not change tha axternal valua of currency.

What do the markats think? George Soros, the speculator and bedge fund manager, says Emu is a non-event for a speculator. That, too, is the majority opinion of several other practitioners in financial markets, including the currency strategists of aeveral leading international investment banks.

This has to do with the difficulties of attacking a system whose current parities seem hroadly in line with perceived fundamentals.

Under the current rules in the exchange-rate mechanism, the central parities are surrounded by fluctuation margins of 15 per cent either side. The gamble worked in 1992 against the pound, wben tbe merkcts bet against a fundamentally overvalued currency that traded in a narrow fluctuation band. This boosted a speculator's risk-reward payoff. In today's scenario, the rewards are seen as virtually non-existent, while the risks are large.

The technical transition is widely expected to be relatively safe, or at least as safe as any operation can be in which policy interacts with the markets. There are some caveats. Hans Tietmeyer, Bundesbank president, warned bluntly that the stability of the interim arrangement and its robustness against speculative attacks would depend crucially on the credibility of the choice of Emn's first-wave members.

But even if Italy, perhaps the most contentious Emu candidate, were to qualify as a first-wave member, that would not by itself indicate that the system would face automatic instability.

During the recent turbulence in world financial markets, the lira exchange rate against other European currencies remained remarkably stable.

The foreign exchange markets expect Emu to proceed with 11 members. On this issue, the markets and the policy makers seem to be in broad agreement.

CORPORATE PREPAREDNESS • by Jeffrey Brown

Business world scrambling to catch up

The corporate world 'has still a lot to do before it is ready for the euro'

Business is still scrambling to catch up with Emu to judge by preview findings of the second annual survey of corporate preparedness undertaken by KPMG Management Consulting.

The survey points out that corporate Europe's preparedness for the accountancy cbanges tbat will be required has improved over the past year, but the pace of change remains surprisingly sluggish.

KMPG says just over half of the leading European companies polled expect to introduce the euro for reporting purposes in 1999 while the percentage going for full accounting in the new currency falls short of two-fifths.

This reflects a sharp improvement on KMPG's findings of a year ago wben barely one in 12 companies bad got around to allocating a budget to pay for the necessary changes. "Without doubt the pace of approach is starting to accelerate", says Vicky Pryce, KPMG's chief economist and strategy partner.

However, little more than a year before the introduction of the single European currency across a wide segment of Europe it would appear tbat the corporate world still has some way to go before it is fully prepared for the event.

The KPMG numbers tell the story: 53 per cent of EU companies believe they will introduce the euro for the relatively simple process of reporting in 1999. For the use of the euro as their main accounting tool, a far more complex and costly change, the percentage tails awey to 39 per cent.

A majority of companies (54 per cent) see the euro being used for accounting purposes by the year 2,000, but it is clear that the corporate switcb to the currency is not being pursued with quite the level of fervency that might be expected at this relatively late stage in the game.

In the UK, wbere the pressures to join Emu are both less clear and less demanding, the KMPG survey – to be published in full on December 8 – shows that 19 per cent of companies plan to use the euro for reporting in 1999 and 27 per cent for euro accounting. And this despite that fact that a significant number of the leading companies surveyed in the UK were offsboots of multinational, European groups.

Vicky Pryce: pace is starting to accelerate

However, change is plainly under way. "Emu is now much higher up the agenda than it was a year ago", says Mrs Pryce. She predicts a wave effect in euro uptake as the initial changes at the top cascade down through the ranks of lesser companies.

The implications for corporate accounting are enormous. As the survey stresses, they range from information technology requirements to restructuring internal business processes and functions and, ultimately, alterations in the supply chain. Relationships with suppliers, customers and partners are right in the firing line.

At one level the change to euro accounting is a relatively simpla matter. "One has to account in something. It might as well be the euro as anything. The problems arise when not everyone is involved, when dual running comes into operation", says one accountant.

It is this aspect that is likely to create a wave effect across the corporate sector. Mrs Pryce says: "Our respondents were all from very large European companies which can be expected to exert a good deal of pressure up and down the supply chain. Suppliers, business partners and even some customers of companies that intend to edopt euro accounting early will be forced to follow suit.

There is every likelihood that accounting compatibility pressures will wash over on to areas that do not link up with Emu at the first opportunity. "The wave effect ... may result in the euro being adopted early, even by companies in countries not expecting to join Emu until much later", says Mrs Pryce. Obviously there are many cost dangers in such a process.

Aside from changes to information technology aystems, companies are going to face a certain amount of re-engineering particularly in terms of their supply chains and finance departments.

For companies in countries that are not certain of joining in the first wave, "this could impose an unwelcome drain on resources without any certainty that their actions will prove to have been necessary", says Mrs Pryce.

The KPMG survey also says that the greater integration of the euro will provide further impetus towards a more level corporate playing field.

Companies will no longer be able to hide behind the foreign exchanges in the way that many have in the past, juggling with currency provisions and flattening business cycles.

At the same time the increasing transparency of wage differentials are also likely to have an impact. With wbolesale euro accounting, vested interests are going to be able to assess far more clearly wage trends from country to country and from business sector to business sector.

Wage differentials are a potentially explosive problem. Reducing the existing differentials, which in some instances are considerable, in a relatively free labour market could well be one of the bigger corporate headaches of the new world of euro-accounting.

ITALIAN BANKS • by James Blitz

Ill-prepared for a host of new hurdles

Some Italian banks could be ripe for takeover by leading competitors

The creation of the Euro poses cballenges to banks the length and hreadth of Europe. But oowbere are these challenges more keenly felt than in Italy, wbere tbe banking system has been in the throes of a considerable upheaval.

The start of the single currency – and Italy's likely participation in tbe first wave of countries joining it – will bring a bost of new burdles.

It will expose Italian banks to keener competition with their counterparts across the European Union. It will give Italians new opportunities to open accounts and buy financial services products from banks across Europe. Within time, it could also lead to a realignment of the markats for equity trading across Europe, with Milan, Frankfurt and Paris vying to become the major centre for share trading on the continent.

The trouble is thet Italian banks, on the whole, remain ill-prepared for these challenges. The Italian banking world is still over-manned, excessively bureaucratic and too unwilling to think of new ways of providing services to its customers.

Istituto San Paolo di Torino is one Italian bank that is well advanced in its preparations for Emu

In recent months, some moves have been made to try to respond to the keener competition that is expected at tbe start of European monetary union. But the fear remains that unless more is done very quickly to meet tbe challenge, some leading Italian banks could be ripe for takeover by their leading European counterparts.

There have been plenty of signs in recent months that the banking system is beginning to prepare for the challenge. The Italian banking world has seen a series of privatisations and realignmeots, suggesting that fears about the implications of Emn are beginning to spread.

For example, tha recent rescue of Banco di Napoli by Banca Nazionale del Lavoro and the INA insurance group will create a substantial new banking group. The charitable foundation which owned Istituto San Paolo di Torino, Italy's biggest banking group, surprised the markets with a swift and successful privatisetion completed in May.

All this is being followed by moves by another charitable foundation, Cariplo, which owns the country's largest savings bank. By the end of the year, it will be privatised through a merger with the private Banco Ambrosiano Veneto which will lead to a new banking concentration rooted in the rich northern regions of the country.

Another striking example of how the banking system is attempting to restructure is the current refinancing and privatisation operation by Banca di Roma, another of Italy's largest banking groups.

This change and activity is more than just a sudden conversion to the virtues of the open market but an attempt to ensure survival in a more competitive world. However, for all this, there are still several big challenges that the entire hanking system must overcome if it is prepare effectively for the the post-Emn world.

First, banks must deal with the problem of overmanning. With around half-a-million employees between them, bankers are beginning to acknowledge the need to try to cut back on staff. For much of this year, the government, the banks and the unions have been engaged in a complex attempt to introduce a programme that would cut some 40,000 jobs, introduce more flexible work practices and performance-related pay. But the negotiations have proved tough and there is no clear sign yet of wben a aolution may emerge.

The second main challenge comes in the services and products many of the banks offer. For years, Italian banks have indulged in a slim range of activities in order to make money. They have relied in particular on traditional large interest rate spreads between deposits and loans for their own profits – an activity that has proved considerably less lucrative with the redoction in Italian interest rates.

The banks are, therefore, under pressure to try to develop new activities and products that provide customers and corporates with a specialised service.

One senior Treasury official recently expressed concern that many Italians in the post-Emn world would be greatly attracted by the range of mortgage products offered by banks in Europe – such as fixed-rate mortgages – the like of which are not on offer in their own country. "The banks need to realise that this could bring a serious drain on their business unless they respond quickly," ba said.

Finally, there needs to be a further realignment of the banking system itself. At the start of this year, the country still had some 970 banks, a figure that is only now beginning to decline. The high level of fragmentation could be seen hy the fact that the country's three largest banks accounted for abont 20 per cent of the domestic market, against a comparable figure of 80 per cent in the Netherlands and 50 per cent in the UK and Switzerland.

"These are figures that are of real concern", said one senior government official recently. "Wa need to create more opportunities for these banks to get involved in takeovers and mergers to try to create more efficiency."

The great danger, be added, was that unless there was more consolidation in the industry, other European banks could soon acquire leading Italian institutions. There are plenty of predators across Europe prepared to spread their wings and launch international strategies in the post-Emu world.

CASE STUDY Istituto San Paolo di Torino

Getting ahead of the game

The bank has set up a special task force to prepare for the advent of the euro

The advent of the euro appears to have caught many Italian banks unawares. But Istituto San Paolo di Turino, one of Italy's leading banking institutions, likes to think it has done more than most to prepare for the new environment in the post Emu world.

It was back in 1995, when European Union heads of government set out their technical plans for Emu, that the bank decided it needed to develop a rounded strategy for a single currency.

It set up a special task force for the advent of the euro, examining issues such as the need to adopt new trading systems and develop new products. It now has some 350 members of staff working on its teams, believing the euro could make a significant difference to competition in the banking sector in Italy.

"There have been many occasions in the past two years when certain politicians were suggesting that Italy would never make it into the first wave," says Mrs Marina Tabacco, the bank's head of marketing strategy who is charged with the euro project. "But throughout it all we took the view that the euro would go ahead and Italy would get in – and we never deviated from that."

The work being done by Mrs Tabacco and her team focuses on three broad areas – overall strategy, technical reform and the need to educate staff and customers.

"Any bank that wants to prosper in forthcoming years needs to take a long hard look at developments in each of these areas," she says.

The work on developing strategy has partly focused on ways in which the bank must develop its trading and settlement systems in the post-Emu world. Mrs Tabacco says the advent of a single currency means banks must speed up transactions.

Like all other banks, it will be compulsory for San Paolo to use real-time gross trading – the so-called Target system – when it conducts wholesale money market transactions with the European Central Bank in Frankfurt.

But the bank does not intend to stick to this system alone.

It has, therefore, been an active participant in the development of EBA – the clearing system used until now for Ecu transactions – that will now be employed by some 50 banks across Europe for clearing cheques denominated in Euros.

It is considerably cheaper to use than Target but will allow transactions to be cleared on the sama day, though not in real time.

The bank is also looking at new products and services. Like many Italian banks, it has traditionally relied on wide interest rate spreads as one of the main means of making money through loans.

But the reduction in Italian interest rates that will arise from Italy's Emu membership will make this activity less lucrative.

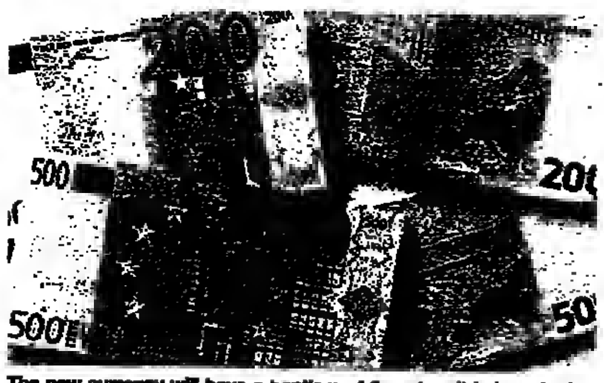
San Paolo is considering offering a wider range of specialised client services as a way of making money. It has just launched a new fixed rate mortgage – with an option to switch to a floating rate from 1999 – believing that many Italians could otherwise be attracted to banks in other European countries which sell these instruments. It is also developing equity-based investment products in response to the growing wave of Italian investors who are moving out of Italian bonds in the run-up to Emu. The decline in interest rates is making bond investment less lucrative.

On the technical side, the main challenge is to ensure that all clients can open accounts in euros from January 1 1999.

This has been a highly complex operation, requiring the bank's transactions systems to be able to calculate in euros and convert from other currencies to the single currency from the moment that Emu starts. "It is important to any bank's credibility that it can offer such a service from the moment that monetary unions begins – and that there are no mishaps," Mrs Tabacco says.

The last area on the bank's mind has been the dissemination of information about the euro to clients and bank staff. San Paolo has therefore been busy publishing leaflets and booklets, setting out what the euro means and the changes that it will entail for customers.

James Blitz


The new currency will have a baptism of fire when it is launched

THE EURO • by Richard Adams

Taking on the dollar

The harder the euro, the better its chances of becoming the currency of choice

When a child is born, most onlookers search for family resemblances. The birth of the euro, the European single currency, is no different: everyone wants to know which of its parents it most resembles.

Will the infant currency take after the D-Mark: strong and robust? Or will it have a more delicate constitution?

Currency traders will have their say in the early days of its upbringing. But larger forces will be at work, as governments and institutioos around tbe world transfer their reserves away from the US dollar, the world's most popular currency, and into the euro.

The stakes are high. The larger the oumber of central banks and other public and private institutions transfering their reserves into euros, and the greater the proportion tbey transfer, the greater the impact on the euro's exchange rate. The higher the exchange rate, the greater the chances that the euro will be seen as a hard currency.

And the harder the euro, tbe hetter its chances of replacing the mighty dollar as the international currency of choice – an outcome with important implications for the European Union.

The dollar now accounts for more than two-thirds of worldwide foreign exchange reserves and more than a third of all international bond boldings – giving it quasi-official reserve status.

One effect is to give the dollar extra "seignorage profits" – profits earned by central banks because cash in circulation does not pay interest, while the cash is backed by securities bearing interest. The more cash a country issues, the greater the saignorage profit. The US is estimated to earn \$5bn-\$10bn in profit annually from the amount of its cash circulating outside its borders.

Another benefit of reserve status is said to be lower interest payments on securities issned in the reserve currency. In an era of floating exchange rates, a country with a reserve-status currency is able to accumulate external debt without having to increase the yield on its assets – the links between its interest rates and its debt levels are very weak. Since the demand for the reserve currency is high, demand is also high to invest in instruments denominated in that currency.

Caisse des Dépôts et Consignations, the French government's financial institutioo, saya: "Initially, a country with a reserve currency finds its securities in great demand, which results in an appreciation of its currency despite the accumulation of debt and the lack of a rise in interest rates."

Once the euro is established, there could be what US investment bank Goldman Sachs describes as a "significant" switch into the euro. Some estimates of the size of the switch estimate inflows of more than \$500bn. But its extent will depend on the use of the euro as a 'vehicle currency' in international foreign exchange transactions, and on the success of the European Central Bank in establishing its reputation as a prudent manager of the EU economy.

Tbe world'a vehicle currency – the one most commonly used in trade invoicing – remains the dollar. Despite the US having only a 14 per cent share of world trade in 1996, the dollar was used in 40 per cent of all foreign exchange transactions.

The combined EU world trade share was 16 per cent. The 15 EU members account for 31 per cent of world output, while the US provides around 27 per cent of global prodnction.

The dollar currently gains from its vehicle currency status through a liquidity discount, the reduction in hid-offer spreads arising from the dollar'a high liquidity and demand.

Jim O'Neill and Martin Brookes of Goldman Sachs think the sheer size of tha European economy – with a GDP of \$7,315bn in 1996 – will encourage the use of the euro instead of tha dollar. That will create further demand and liquidity in the new currency, and lead to increased use of the euro in foreign exchange interventions by non-EU central banks.

"Eventually tha current importance of the US dollar in the foreign exchange market should be replaced by the joint importance of the US dollar and the euro," they concluded.

Fred Bergsten, director of the Institnte for International Economics and a former assistant secretary at the US Treasury, disagrees with Goldmans' argument, although be agrees with its conclusion.

In a recent article*, Bergsten argued that size alone does not necessarily determine a currency'a use. He cites the example of Japan, with an economy ahout twice the size of Germany, only a slightly smaller share of world trade and a superior record of price stability in the past 15 years. "Yet its currency plays a much smaller role than the D-Mark, suggesting a significant deficiency when it comes to the other key currency criteria, notably the capabilities of its financial markets."

Comparing the EU and US, Bergsten said: "It is less clear when Europe will reach full parity with the US in terms of the hreadth, depth, and liquidity of its capital markets." The US market for domestic securities is about twice as large as the combined EU market. But even there, he concedes: "An integrated European capital market for private bonds shows clear signs of developing."

The other factor will be the performance of the ECB. Analysts at Deutsche Bank believe the ECB may initially be regarded with scepticism and a lack of confidence outside Europe. Tha result may be a hard euro at bome, but a soft one abroad.

Deutsche thinks any suspicions would be short-lived: "Over time, markets will learn about the qualities of the new currency, they will learn to judge the policy actions and the stabilisation performance of the ECB."

Bergsten also thinks the ECB – "the first ceotral bank in history without a government looking over its sboulder" – will perform well: "The bank will place overwhalming emphasis on establishing its credibility as soon as possible."

With little over a year to go, the consensus is that the euro can usurp the dollar's status as the reserve currency, a mantle the dollar inherited from sterling in the 1930s. Where the experts differ is over the speed of the change.

Most think the size of the dollar's holdings, coupled with inertia, means any conversion process will be spread out. These inclnde Larry Summers, the US deputy secretary of the Treasury, who said that "barring major policy errors, international currency holdings do not change at great speed."

Avinash Persaud, head of currency research at J.P. Morgan in London, points out that sterling quickly lost its reserve status in tbe 1930s, because of the lower transaction costs offered by the dollar. "Tradition plays little part in the market for currencies. The greater the use of a currency, the lower the transaction costs will be in using it," Mr Persaud said.

*Fred Bergsten, The Dollar and the Euro, *Foreign Affairs*, vol. 76, no. 4.

CASE STUDY Ireland

On target for the first wave

The main parties are committed to Emu and preparations 'are well advanced'

During last year's Irish presidency of the European Union, a number of Dublin public houses were persuaded to introduce dual pricing. Visiting European dignitaries were thus able to experience what it will be like to buy a pint of stout in Irish pounds or euros.

Official enthusiasm for the project has always been greater than among the general public. But as the date approaches, popular awareness is growing.

Ireland looks assured of meeting the criteria for joining Emu. What is more, it has achieved the targets on the budget and inflation, without the painful adjustment many countries have had to undergo.

Some economists worry about whether Ireland's current record is sustainable. They point out that once in the single currency, there is no opportunity for governments to influence policy through the use of interest rates. These would be set centrally.

Ireland's buoyant economic performance has boosted tax receipts and thus made the 3 per cent deficit look easily achievable. Some economists, however, question what would happen if the economy were to slow down.

For all that, there is no division between the main parties over Emu. The populist Fianna Fail party of Bertie Ahern the prime minister, is committed to joining in the first wave, as is the opposition Fine Gael party.

Only the right-of-centre Progressive Democrats have voiced reservations about the impact on indigenous industries dependent on selling to the UK if sterling stays outside the system.

Officials continue to watch developments in the UK with particular interest. The hope is that, if the UK decides not to join in 1999, sterling will be allowed to shadow closely the euro.

Maurice O'Connell, governor of the Central Bank of Ireland, says "concern about sterling may be well founded but it should not blind us to the longer term potential benefits of Emu, in particular the prospects of stability and low inflation and lower interest rates."

A National Changeover Plan was published in May, outlining the arrangements which will be made by the Department of Finance, the Central Bank, the National Treasury Management Agency and government departments generally as well as banks and building societies and the Irish Stock Exchange.

Government officials together with trade unions, business, consumers and farming representatives meet each month to discuss the state of preparations for introducing the euro.

From the start, all government departments will be able to accept payments in euros as well as Irish pounds. The budget and the other key economic announcements will be made in the two currencies. More importantly for business, the Revenue Commissioners will accept settlement of tax liabilities in euros.

Charlie McCreevy, the finance minister said recently that preparations for introducing the euro were "well advanced."

The Irish Business and Employers Confederation is running seminars to familiarise businesses with the euro project. More than 700 Irish companies have taken part.

David Croughan, chief economist at IBEC, has identified another issue. He says Irish retailers and bankers want the introduction of notes and coins brought forward from January 2002 to March 2001. They argue that leaving it to the later date will not allow sufficient time to prepare staff for the busy January sales period.

Some economists believe the authorities are concentrating too much on the technical aspects of the project. Philip Halpin, chief operating officer at National Irish Bank said "My concern is that many organisations regard the Emu project primarily as an IT project rather than a strategic business issue."

He points out that banks, in particular, will have to adjust to a loss of business as corporate customers look beyond the national bank network for foreign exchange services.

Ray Curran, finance director of Jefferson Smurfit, the paper and packaging company, says the project will speed the process of internationalisation for Irish companies. This will happen as Irish institutions divest their domestic shareholdings because they would no longer need to match Irish pound liabilities with Irish pound assets.

Irish companies will then have to seek to expand their shareholder base outside Ireland, engaging in roadshows and other promotions to raise their profiles in equity markets.

Since there will be oo need to fund in national currencies, others fear that Irish financial institutions could lose business if Irish corporates do business elsewhere.

Mr O'Connell, the bank governor, warned that "no Irish institution, big or small, is immune to takeover." However he says it would be "disappointing if the greater proportion of our financial services industry were to pass out of Irish ownership." He remains confident that Irish institutions will survive because they will be more attuned to the national interest.

Much will depend on how well they prepare for the move to the euro. Different industries, it seems, have different perceptions of the impact. According to a report by the Irish Marketing Surveys, the chemical, metals, engineering and mining and utilities industries all believe the changeover will have a "significant" impact. The construction industry, however, tends to have much lower expectations.

Close to half of those who claimed to be ill-informed about developments attributed this to a lack of information. For example, one in five industry representatives claimed to be uncertain of the start date.

John Murray Brown

PENSIONS • by Jane Martinson, Investment Correspondent

Management revolution

The euro may change the ownership structure of companies

Reports in the FT of a practical guide to the single currency for pension funds prompted more than 200 calls to the organisation behind the guide in under two weeks.

Rob Ten Wolde, secretary of Opf, the Dutch foundation of company pension funds which produced the guide jointly with VB, the association of industry-wide pension funds, said the demands for further information were "enormous". Inquiries for the English language version of the document came from all over Europe as well as from New York and Hong Kong.

"The response really gave the idea that the whole world is interested in this subject," he said.

And well it might be. The introduction of a single currency is expected to lead to fundamental shifts in the way money is managed in Europe as well as providing logistical and administrative headaches for thousands of companies.

The guide – the creation of a specially formed Dutch Euro project group of pension funds – attracted keen interest at the biennial conference of international pension fund providers and managers in October.

More than 200 delegates attended three sessions devoted to the issue of what the consequences of European economic and monetary union could be.

One pension fund manager at the meeting described the impact of a single currency es greater than that presented by the millennium prohlem of converting software systems.

While the administrative and legislative burdens on the pension funds ere expected to he huge, bowever, more work appears to have been done on the upheaval in the way funds are managed.

A single currency is expected to lead to a different ownership structure for European companies, to create a more diversified bond market and to accelerate consolidation in the industry. The possihle extent of the changes has excited keen interest among investment bankers.

NatWest Markets, the UK investment hank, wrote e research note at the end of October which said: "The arrival of Emu and a looming under-funded pension crisis will drive convulsive changes in asset allocation in Europe over the next few years."

The issue also prompted Jan Mantel, a senior fund manager, to issue a research paper called "Don't Worry. It is only a Revolution!" when he was at Merrill Lynch, the US investment bank, earlier this year.

The most significant changes are likely to take plece in asset allocation. Currency risk and pension rules demand funds cover their liebilities with investments in the same currency. A single currency will mean that funds can match their liabilities with assets held anywhere in Europe so Dutch pension funds can cover part of their payments with shares in German compenies, for example.

Edmond Warner and James Montier, analysts et NatWest Merkets, beve predicted that cross-border money flows resulting from this change could be huge. They have estimated that a 10 per cent switch out of domestic bonds into equities would result in $100bn moving around Europe.

Analysts also expect the change in liability matching to result in the increased use of pan-Europaan benchmarks. Tim Stevenson, head of European equity team at Henderson Investors, an independent UK fund manager, was asked to give a presentation to a large Dutch pension fund this summer.

The fund, which wanted to know how it could prepare for Emu, was told that "the changes that are going to happen are enormous".

A typical Dutch investor has about 32 per cent of his domestic equity invested in oil stocks, mainly because of the dominance of Royal Dutch/Shell in the Dutch index. In Henderson's definition of a "broad Emu" band of 10 member states the oil sector accounts for just 11 per cent (of equity holdings). The change is likely to lead to a hig increase in the holding of pharmaceuticals companies, which ere almost nun-existent on tha Dutch exchange.

Many institutional investors and investment banks have already started organising their research on a pan-European hasis because of this expected shift in investments.

It surprises few in the industry that much work is being done on the issue of a single currency in the Netherlands. As well as being committed to joining Emu in the first wave, the country has the second largest pension fund sector in Europe after the UK. Mr Ten Wolde at Opf says "I am optimistic that Dutch pension funds will be well prepared to change to the Euro from tha first relevant date [of January 1999]."

Its large pension fund industry contributes to the fact that the Netherlands has more capital than domestic investment opportunities and so is particularly interested in making cross-horder investments.

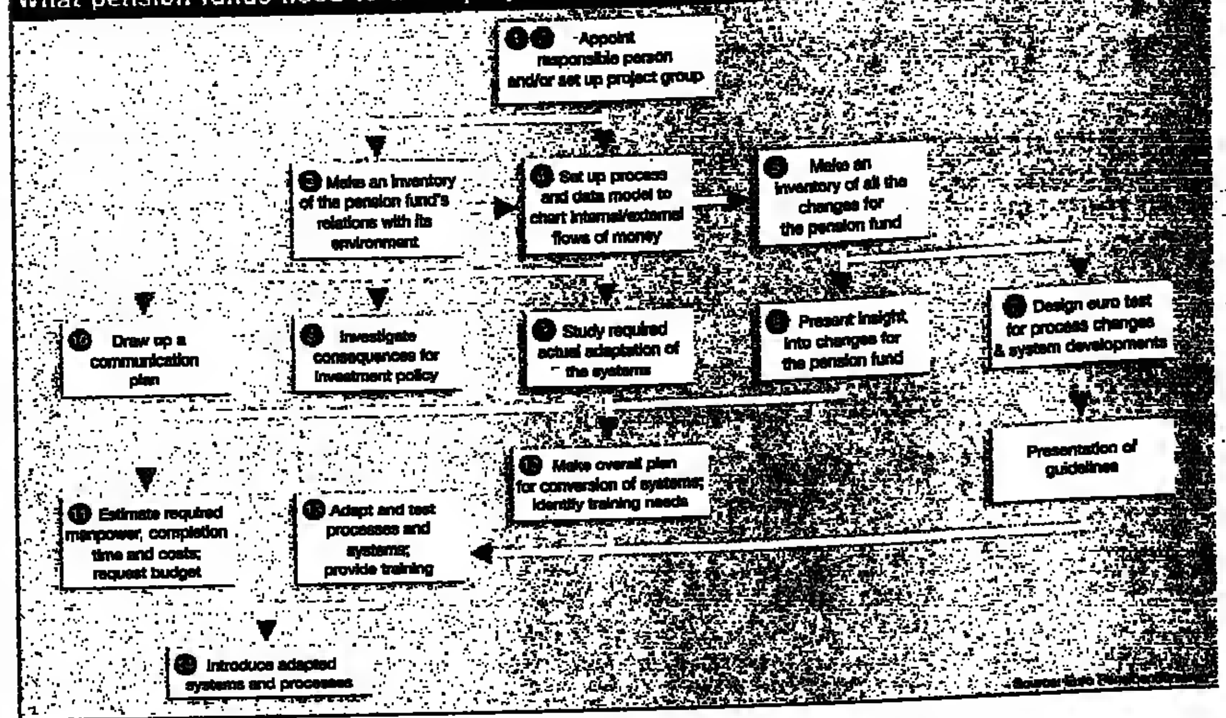
But developments in other countries suggest that the issue is being addressed elsewhere. The Irish government issned a document in the summer called Ireland's National Changeover Plan.

The reason for the interest is obvious, says Jos van Niekerk, head of Stichting Unilever Pensioenfonds and a member of the Dutch group. "The practical and administrative issnes of adapting to the euro should prompt ection. Directors and managers of pension funds will have to start tackling introduction of the euro right now. There is not much time left."

The guide which has caused so much interest outlines what steps need to be taken for e fund to start paying pensioners in euros in five years' time. The need for new software, legal compliance and commnnication with members adds weight to Mr van Niekerk's warnings.

Euro Scenario: Manual for the implementation of the euro by pension funds. The Dutch Euro Project Group of Pension Funds. Aoailable from VB on 0031 70 398 7201 or Opf on 00 31 70 349 0190.

What pension funds need to do to prepare for Emu



Berliners were reluctant to use the new coins for purchases

EURO TEST • by Frederick Stüdemann

Trial wins few friends

Although judged to be a success, many bought the coins as collectors' items

The majority of Germany's political leadership and many of the country's biggest companies may have given their whole-hearted support to the euro but the German public remains sceptical about the move to e single currency.

To address this problem the European Union set up a week-long euro test run in Berlin in May. Against the backdrop of copious publicity events, such as e colourfully painted Euro train, 1.3m specially minted pseudo-euros were offered for exchange at e rate of two D-Marks for one. The coins, which were not legal tender, could be used to buy goods in shops and restaurants in the city's retail centres.

According to Landesbank Berlin, which handled the exchange operation, some 500,000 of the euro coins of various denominations were hought by Berliners. The bank estimates the value of exchanged coins at around DM2m. As such, it says, the event was a success.

But while people may have been keen to swap D-Marks for euros, they did not seem wholly prepared to use the coins, stamped with symbols of the Brandenburg Gate and a map of Europe, as e means of payments. Informal interviews at exchange booths revealed that many were buying the euros merely as collectors' items.

The test run met with a further degree of scepticism from eastern Germany because it reminded them of monetary union with the west seven years ago. Then ostmarks were exchanged for D-Marks at a rate of two to one for all money, bar a limited amount of savings.

While in real terms this switch of an over-valued soft currency for a hard currency was e definite gain, psychologically it was perceived by many as a loss.

"On paper people saw that they had less money in their eccounts than hefore. So even though the new money [D-Marks] was better, people perceived themselves as worse off," explains a bank employee involved in the test run.

The test run also proved unremarkable at one of the main participating shops, the Kaufhof department store on east Berlin's Alexanderplatz, where one of the hig exchange booths was located. Petula Hassert, the store director, says just over DM5,000 worth of goods were sold in euros.

"We wanted to do the whole thing on e higger scale but weren't allowed to because the coins weren't real legal tender," she says. As a result the experiment was limited to 30 items.

Ms Hassert says this was unfortunate because Kaufhof realised that customers had a "big desire for information" about the euro. "People were interested, but all we had was a sales stand. What we needed was an exchange booth."

The European Union views things differently. Jutta Lienecke-Berns, from the EU's office in Berlin, says the point of the exercise was not so much to bring coins into circulation as to get a discussion going.

"We wanted to show by practical example that there was no devaluation taking place, that whether people paid in D-Marks or euros the cost was the same."

She says the test run succeeded in increasing awareness about the euro. "Until now nowhere else in Europe has seen such a big event. The whole of Berlin was talking about it."

She maintained that the test run halped rehut charges that the EU was not doing enough to inform the ordinary public abont the proposed single currency.

UK • by Wolfgang Münchau

Government awaits a swing in public opinion

Whether or not the UK joins, the euro may well arrive via the back door

Clarity is what business leaders wantad from Britain's new Labour government. But the clarity provided by Gordon Brown, the UK chancellor, wben be explained the government's position on the single currency on October 27 was not necessarily what they had sought.

Mr Brown confirmed that the UK would not be a founding member of economic and monetary union in 1999. He also said it was inconceivable that the UK would join during the current parliamentary term, whicb must end by the spring of 2002.

A more likely electinn date, according to political observers, is the spring of 2001. From then onwards it would be at least one year before the UK could be a member of Emu – essentially the time it would take to bold a referendum and pass the necessary legislation. That leaves the summer of 2002 as the earliest possible membership date.

While there is no clarity about the UK's eventual entry date, Mr Brown's statement at least gave the pro-Emu lobby one reason for optimism. What has changed is that the government is now in principle committed to Emu membership.

The chancellor says the delay is due purely to economic reasons. More likely, the delay is due to bostile public opinion – witb around two-thirds of the population firmly opposed to giving up the pound – aggravated by the promise lo hold a referendum before entry.

The government's official line is that the UK is not yet ready for Emn becanse of various economic obstacles. Mr Brown has put up five "tests" – in addition to the Maastricht Treaty's convergence criteria – which the UK will have to fulfil before entering Emu. They are:

- Business cycles must converge;
- Labour markets in the UK and in the other EU countries must become more flexible;
- Emu must benefit investment in the UK;
- It must benefit the UK financial sector and;
- It must have a positive impact on the real economy – on growth and employment.

These are largely qualitative criteria, subject to some elastic interpretation. The five Maastricht criteria – on budget deficits, public debt, inflation, long-term interest rates and exchange-rates – have all numeric targets.

The first of Mr Brown's "tests" – convergence of business cycles – is widely considered to be the most important. Business cycles currently diverge significantly. On the current cycle the UK has just gone past the peak, with the economy heading for lower output in the next few years.

This position in the cycle usually suggests an interest rate at, or close to, the cyclical peak and falling once deflationary pressures emerge. UK sbort-term interest rates are currently 7.25 per cent.

By contrast, the core-Emu group is on an economic upswing, a period during which interest rates are low and rising. Emu-core group interest rates are 3.3 per cent. The consensus among forecasters is that tbese rates will have to rise to between 4-4.5 per cent by the time Emu starts. By then, UK rates may have fallen, although probably not to anywbere nsar Emu-core levels.

Gordon Brown: five tests for Emu membership

The trouble is that the business cycle does not end in 1999. Emu rates are likely to rise during the first two or three years aftar 1999, largely for cyclical reasons, bnt also because the new European Central Bank – more so than any astablisbed central bank – will err on the side of caution in its monetary policy.

It is the consensus among EU central bankers that the ECB will take no risks with inflation.

For tha UK, this could prove a dilemma. While the intersst rate cycles may cross over at some point, they could easily diverge again soon afterwards, as the core-Emn group and the UK trade places on their respective business cycles. It is conceivabla that UK entry may be just as difficult to justify on cyclical grounds in 2002 – or indeed in any other year – with the only difference being that the UK might be at the bottom of its cycle while the core-Emu might be at the top of its cycle.

Mr Brown also insists the other four criteria are important but most Emu observers are less convinced. There is one potsntial etructural problem in the UK, the housing market. Almost 90 per cent of UK mortgages are variable rate, whila most mortgages in the core-Emu group are fixed rate.

The UK economy is, therefore, much more susceptible to fluctuations in short-term interest rates, especially the fluctuations that some forecasters are predicting will emerge in the initial, and potentially turbulent stages, of Emu. But some economists have pointed out that UK housing finance will adjust quickly once low-rate fixad-term mortgages become available upon Emn entry.

What are the implications of this considerable uncertainty for business? First of all, UK companies are among the worst prepared for Emu in the EU, according to opinion polls and business consultants.

Whether the UK joins or not, there is a strong chance that the euro will arrive through the back door. Some continental companies, notably Siemens and Daimler-Benz of Germany, are planning to force their UK suppliers into accepting the euro as the sole means of payment.

UK bankers expect that the euro would be pushed through the supply chain, as the affected suppliers might hedge against the resulting currency risk by forcing their own suppliers to accept euros.

Marks and Spencer, the UK retailer, will even accept the euro at its cash desks, which means that they will accept cheques denominated in euros – there are no banknotes and coins during the interim period.

These examples demonstrate that non-participation will not shield the UK from tha effects of Emu. Some companies will prepare irrespective of the government's strategy – in terms of their technical systems, financial systems, and even corporate strategy.

UK companies will be affected by the way in which their European competitors change their etrategy. If Ford Europe or BMW change their pricing strategy so that cars carry a single pre-tax price tag in euros, that will no doubt have profound effects on the UK car market. One way or the other, Emu will become a reality for UK businesses.

In terms of politics, what matters are not the five criteria. Rather, it seems to be the government's strategy to wait until tha benefits of joining Emu become so obvious that public opinion will swing in favour of it. Once tha opinion polls bava shifted, the UK, it seems, will have miraculously met all of the criteria.

EU AGENDA • by Lionel Barber

Brussels shifts its focus

The EU is about to engage in a broader macro-economic debate

The scene is Brussels, the date is May 2 1998, Tony Blair, the UK prime minister, steps before the cameras inside the cavernous Justus Lipsius building where the 15 EU heads of government have made the historic choice on which countries qualify for economic and monetary union.

With his trademark smile, Mr Blair attempts to explain why Britain is not participating in Emu and why it is not ready to commit itself to a firm timetable for entry. In a briefing room below, President Jaques Chirac and Prime Minister Lionel Jospin announce the inaugural meeting of E-11 (the code name for the founder members of Emu, including Italy) will take place in early June.

The French and Germans have drawn up a full agenda. The euro-forum will discuss the new bilateral exchange rate parities between Emu bloc countries agreed at the May summit; tax policy in the euro-zone; the up-coming group of seven industrialised countries summit; tbe launch of the new European Central Bank and the still to be decided composition of its executive board.

This is a somewhat fanciful, but not entirely unrealistic portrayal of events next spring wben Emu will become a political if not quite an economic reality. Britain having exercised its Maastricbt Treaty opt-out, will be nn the outside looking in.

The question is bow long it will take the new euro-zone to develop institutions and working methods which could damage the interest of those countries whicb, for either political or economic reasons, are unable to be present at the creation of the single currency.

What is clear, is that the whole of the EU is about to shift focus away from the narrow debate over whether individual member states meet the public deficit targets to the nearest decimal point towards a serious discussion about the functioning of the post Emu world. Instead of the German priorities of inflation and fiscal discipline the EU will engage in a broader macro-economic debate covering tax, state aid, competition policy and labour markets.

The link between the singla currency and the single market will become more explicit. For while it is true that economic and monetary union is not an absolute precondition of the single market, the competitive forces unleasbed by Emu – notably price transparency across borders – will make all governments much more sensitive to accusations that some are using unfair methods or policies to gain advantage. This is certainly the case with tax policy.

One of the remarkable developments in the past 12 months is the way in which tax policy has crept to the top of the EU agenda – pushed by the imminent launch of the single currency. As a result, there is a good chance that EU leaders will agree to a non-binding code of conduct to tackle "unfair" tax competition at their summit in Luxembourg in December.

French and German officials identify three areas for concern: Luxembourg's lack of a withholding tax on foreign savings deposits, Ireland's Dnblin docks scheme for luring financial services to the Emerald Isle, and the Netherlands "Co-ordination Centres" which offer generous corporate tax breaks for multinationals.

Mario Monti, the Italian Commissioner responsible for tax policy and the single market, sees the code of conduct as a means of applying peer-pressure to limit predatory tax competition. Witb luck it could be as effective as the peer pressure which member states applied successfully to reduce public deficits and debt ahead of Emu. But if it does not work, there is always the option of an EU directive.

There are however formidable practical and political obstacles. Lucien Thiel, general manager of the Luxembourg Banking Association sums up the dilemma in four words: who gets the money? Germans investing deposits in French banks do not pay withholding tax, but are required to disclose thsir income to tbe Frencb authorities.

In the event of a new directive, would the French or German governments receive the money?

Similarly, an EU-wide directive on withholding tax could prove ineffective unless extended to other OECD countries, notably Switzerland. Without a common tax regime, the money would simply flow out of the member states to safer havens in Geneva or Zurich. The conclusion seems to be that the EU and OECD must act in concert.

These obstacles suggest that Britain ebould not be overly disadvantaged in the sbort term. Brussels-driven tax harmonisatioo is some way off but it still underlines the degree to which Emu group countries will insist on minimum standards of conduct. The most obvious parallel is social policy whicb is now governed, albeit loosely, by the Maastricht and Amsterdam treaties.

Significantly, as a result of French pressure, EU governments are looking once again at how to improva their collective response to the chronic unemployment levels in Wastern Europe. The European Commission has proposed quantifiable and verifiable targets for training and reducing the numbers of long-term unemployed especially in the 18-25 age bracket.

Although countries will follow policies tailored to national requirements ratber than Brussels edicts, the same principles of peer pressure and annual reviews are meant to apply. The Labour Government is ready to throw its weight behind "naming and shaming", partly becanse Mr Blair and Gordon Brown, his chancellor, understand tbat if Britain leads in any area in Europe it is in labour market policy.

Mario Monti and Tony Blair: EU leaders may agree to a code of conduct to tackle tax issues

Monetary policy, tax, employment – slowly all these areas are moving to the centre stage of debate in the Union. The creation of a new and broader based Economic and Financial committee in Brussels, replacing the Monetary committee comprised of national treasury and central bank officials, underlines the trend.

For the near future, the likely diversity of view in a broad Emu covering north and south, reduces the likelihood of the future E11 (or E10?) presenting a fait accompli to Britain, Denmark, Sweden and Greece on key economic policies. However, there is a risk in the medium term and Mr Blair would be wise not to ignore it.

CASE STUDY Portugal and Spain

Confident of passing test

As a sign of increased confidence in the prospects for a "wide" monetary union beginning in just over a year's time, the Spanish authorities finally launched their public promotion campaign for the euro last month.

The television slots and pull-outs in Sunday newspapers explain the expected benefits of a change which most Spaniards have, so far, not questioned, in their overwhelming support for the maximum degree of integration in the European Union.

The publicity makes a brave stab at simplifying matters. "Knowing how much a product or service is worth in euros will be very easy," it explains. "Supposing a conversion rate of 165.242 to the euro, you just have to divide the quantity in pesetas by 165.242 and you will know now many euros it equals."

Up to now the euro has been regarded south of the Pyrenees as an ambition to be attained, an issue as much as anything of national pride in two countries which joined the EU less than 12 years ago.

But now that it is a near reality the discussion has begun to shift from the question of whether Spain and Portugal will be included, to the prospect of having to compete within a future single-currency zone.

Despite continuing reservations on the part of some German officials about a "wide" euro, including from the start southern European countries which are relatively recent converts to the rigorous economic policies demanded by Emu, both the Spanisb and Portuguese governments are now fully confident of passing the entry test.

Moreover, it appears likely they will be among the candidates with the most favourable figures on the key criteria set as targets for membership.

Authorities in both Madrid and Lisbon insist that if they meet the criteria, then there can be no ambiguity about their place in the euro. "It is not a question of will," says António de Sousa, governor of the bank of Portugal, "but one of duty. We didn't get an opt-out."

The current economic cycle has greatly enhanced the two countries' prospects of meeting the crucial budgetary and inflation goals in the run-up to the euro's launch.

Growth has been accelerating rapidly, with both countries expecting to be able to sustain a rate of around 3.5 per cent over the next few years, and consumer demand is picking up. Boosted by the expectation of euro membership, growth has also increased their chances of joining by producing sharply higher tax revenues.

Analysts in Spain were until recently divided about how close the country could come to meeting the budget deficit target of 3 per cent of gross domestic product this year, less than half the rate of two years ago.

But now the government says it can end the year with a level of 2.9 per cent, quite possibly less. Portugal, with a similar objective, is already close to the target, after revising its deficit figure for last year down to 3.2 per cent from an initial estimate of 4 per cent.

Inflation and long-term interest rates have come down sharply and are well within the required range, with a sufficient margin to be certain of qualifying on the basis of average 1997 figures.

According to the EU's harmonised figures for September, Portugal's annual inflation of 1.5 per cent was 0.3 percentage points below the EU average, and less than Germany's. Spain stood just above the EU average with 1.9 per cent.

However, the rapid acceleration in Spanish growth – which many economists now think will exceed the official forecast of 3.4 per cent next year – has raised fears of renewed inflationary pressure, calling into question the centre-right government's aim of keeping the rate close to 2 per cent in 1998.

The one Emu measure on which neither complies strictly with the target is public debt, although in both cases the level is, as required, coming down in the direction of the desired 60 per cent of GDP.

Spain's debt, which increased as a proportion of national output up to last year, is expected to be just over 68 per cent of GDP at the end of this year, and Portugal's closer tn the target at just over 63 per cent. Both anticipate rednctions in these figures in 1998.

The most positive message for Emu enthusiasts is that both Spain and Portugal have already been reaping benefits from the disciplines imposed by the Maastricht treaty – in particular through a sharp change in inflation expectations and borrowing rates which are now at historic low levels.

The two central banks will need to implement further cuts in official short-term interest rates next year in order to bring their rates into line with a future single rate for the single-currency zone – in practice giving them no option but to pursue a stimulative monetary policy.

The constraints nf Emu and the two countries' heavy dependence on trade with the rest of the EU means their economies are now more in unison with each other than in any previous period – even though their governments are of different colours, with the centre-right in power in Madrid and the Socialists in Lisbon.

David White

RECRUITMENT

Timing and psychology are important tactics, says **Richard Donkin**

Luring a visionary leader

Looking at the bonus-laden boardrooms of the 1990s it is easy to become cynical about any form of motivation beyond that of pay, bot headhunters are aware that the promise of financial gain is rarely sufficient to lure someone from a top job within a company.

Timing and psychology can be everything. Warren Bennis, professor and chairman of the Leadership Institute at the University of Southern California, speaking at the annual international conference of Hay Management Consultants, recalled a classic recruitment ploy that any headhunter would have heen proud to claim as their own.

This one belonged to Steve Jobs, the co-founder of Apple Computer, who in 1983 was trying to persuade John Sculley to leave PepsiCo to become chief executive of Appla, then just a four-year-old company. Mr Sculley was going places at PepsiCo.

However, Mr Jobs was not deterred. "Do you want to sell sugar water for the rest of your life or do you want to come with me and change the world?" he asked. Faced with this fresh perspective on the respective roles, Mr Sculley opted to place his trust in Apple.

What Mr Jobs had done in one simple sentence was to inspire trust and optimism and to endow the role with a sense of meaning, fulfilling the most important expectations that people have of a leader, says Mr Bennis.

That Mr Sculley went on to oust Mr Jobs at Apple might pose some questions about the ultimate wisdom of the selection.

The story of Mr Sculley's recruitment provided a marked contrast to an earliar discussion among human resource managers in some of Europe's largest telecommunications companies. Some were complaining that in spite of performance pay systems they were unable to keep people for long and had difficulty attracting others without bidding up pay rates.

The only manager in the discussion who could not concur with these views was working outside telecommunications – in KLM, the Dutch airline. "The culture is so strong in my company that it is important to people that they work for KLM. It means something," he said.

Companies like Unilever, Procter & Gambla and Marks and Spencer will recognise such sentiments, because their strong internal cultures ensure that they can recruit and retain high-calibre employees.

Their management systems are also geared towards producing home-grown talent. "When Niall Fitzgerald was appointed to the chairman's post at Unilever, his rival contender, Charles Miller Smith, went off to be chief executive of ICI. To have two people of that calibre was strength in depth," says John Viney, chairman of Heidrick & Struggles, the headhunting firm.

One problem, he says, is that many companies have been too slow to recognise their top executives need leadership skills as opposed to management skills – the different traits were outlined by Mr Bennis some years ago.

"Many divisional people have the management skills hut lack thosa leadership qualities or a sharpness of intellect. Most chief executives are also quite introverted. They have a ruthless independence and emotional stability. They tend to know themselves. A lot of divisional people whan pitted against these combinations just can't make it," says Mr Viney.

Tha difficulty for headhunters is that most of the best people are sitting tight, leaving them to trawl among divisional heads or other senior directors. "These people are clearly good at running a division but they do not always have the leadership skills," says David Shellard of Russell Reynolds, the headhunting firm.

There appears to be general agreement today about what is needed. The biggest problem is finding good people. Companies that have development programmes for top executives and that work on their succession plans would seem to have an advantage.

If companies are really stuck, they might read a few hooks. Mr Bennis mentioned four recent leadership book titles: *Moses as o Political Leader*, *Secrets of Attila The Hun*, *Jesus as a CEO* and *The Mafia Manager*. This last title included gems of advice such as "punish one, teach a hundred" and "if you must lie, be brief".

Salaries, bonuses and car allowances in City of London finance

Position	Base salary: Lower quartile £000	Base salary: Median quartile £000	Base salary: Upper quartile £000	Average salary: Salary £000	Average salary: Bonus %	Car provision/allowance: With car %	Car provision/allowance: Value £000	Car provision/allowance: Annual allowance £000
Corporate finance head	100.0	115.0	150	124.7	77.1	92	28.0	7.7
Capital markets head	148.5	189.5	218.2	158.3	77.3	89	32.6	7.8
Bond sales head	100.0	115.0	128.8	115.5	62.0	69	-	7.0
Fund management director	117.2	130.0	155.7	135.1	61.9	100	22.6	8.0
Future & options head	82.5	97.5	155.0	118.9	50.8	78	16.5	6.9
Eurobond trading head	100.0	113.0	125.0	112.9	53.9	76	18.0	8.7
Equity trading head	98.9	122.5	140.6	120.9	52.5	70	-	6.5
Private banking head	81.9	104.5	123.9	105.1	31.0	75	24.5	7.7
Head of research	87.5	99.5	136.5	107.8	65.5	100	23.0	6.5
Financial director	76.5	86.1	102.5	96.5	28.1	72	22.5	7.5
Chief FX dealer	80.0	95.9	110.0	94.2	31.0	84	20.7	6.8
Legal services head	65.0	80.0	88.0	78.2	22.1	84	18.0	6.0
Personnel director	73.0	93.0	100.0	84.6	55.8	65	30.5	8.3
Money market head	60.0	71.3	85.0	75.1	34.7	73	19.2	6.3
DP director	60.2	67.0	75.8	69.9	21.6	72	20.0	6.5
Credit manager	41.0	47.4	51.3	46.8	9.9	42	14.3	5.5
Customer services head	28.5	30.0	32.6	31.1	8.4	21	14.4	5.2

Source: Monks Partnership

Back-office pay lift

Monks Partnership, the pay consultancy, has noticed signs of escalating UK staff costs in investmeot banks for a number of back-office operations, iocluding risk management, documentary credits and information technology johs. Junior staff, says Monks, are being lured away with packages that are increasing their base salaries by as much as 25 per cent.

The average base salary in November advertisements for a senior analyst programmer, for example, was £43,667 ($73,800), compared with £33,833 in August. Similarly, a seoior derivatives settlements clerk is oow being offered £28,000 a year, compared with £21,500 a year in August. Staff retentioo is hecomiog a concern for employers aod some are introducing loyalty bonuses.

Remuneration in International Banks & Investment Houses is published by Monks Partnership, The Mill House, Wendens Ambo, Saffron Wolden, Essex, CB11 4JX, +44 1799 542222, £290 or £145 for participants ond future participants.

e-moil: richard.donkin@FT.com

BANKING FINANCE & GENERAL APPOINTMENTS

EUROPEAN MONETARY INSTITUTE

VACANCIES IN THE GENERAL SECRETARIAT

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Uoion, and to prepare for the establishment of the future European Ceotral Bank (ECB). The EMI currently employs approximately 330 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits. The EMI is looking for candidates to fill the following vacancies as soon as possible. Positions will be on a fixed-term contract basis and candidates must be a national of a Member State of the European Unioo.

Positions and Qualifications

Technical Support for the Middle Office

The holder of this position will have the following responsibilities:

- Provide mathematical and IT-related user support for the setting-up (configuration and parameterisation) and running of the system supporting front and middle office functions in the ECB.
- Support the possible design and implementation of additional external enhancements.
- Give support from a mathematical/statistical point of view to the analysis, monitoring and managing of market and eredit risks in the areas of monetary policy, foreign exchange interventions, foreign reserves management and own funds management, on the basis of state of the art techniques.

Qualifications

- University degree in applied mathematics with related studies in statistics and numerical analysis.
- Very good knowledge of data base systems (SQL, Sybase), familiarity with C++, Windows NT and ability to familiarise with other operatiog systems and IT language programmes.
- Basie knowledge of economics and finanee is desirable.
- Strong interpersonal and communication skills and ability to work io a team and under pressure.
- Experieoee in an international environment would be an asset.
- Very good command of English. Working knowledge of other European Union languages is desirable.
- Experienee in using information technology and office software systems.

Ref: GS/03/98 FT

Expert in Risk Management

The holder of this position will work in a small team assuming in following responsibilities:

- Participating in the setting-up, configuration, parameterisation and runniog of the IT-system supporting front and middle-office functions for the ECB.
- Designing and implementing additional external enhancements which the system might not be able to provide in the early stages.
- Analysing, monitoring and managing market, credit and operational risks in the areas of mooetary policy, foreign exehange intervention, foreign reserve management and own funds management.
- Cootributing to the development of homogeneous risk policies, procedures and methodologies io the ECB.

Qualifications

- University degree io economics, business administration or comparable qualification.
- Strong skills in financial mathematies, statistics and quantitative analysis.
- Experience io risk management/middle office functions and internal control within a central bank, a credit or financial institution or a consultancy firm; relevant knowledge of front and baek office functions.
- Familiarity with state of the art industry standards for risk management and experience in the design and/or operation of financial risk management systems.
- *Strong interpersonal and communication skills and ability to work in a team and under pressure.*
- Experience in an international environment would be an asset.
- Very good eommand of English. Workiog knowledge of other European Union languages is desirable.
- Experietice in using ioformation technology and office software systems.

Ref: GS/06/98 FT

Applications

Applications should ioclude a Curriculum Vitae and a recent photograph, together with references confirming the required experience and skills. They should quote the appropriate reference oumber and should be addressed to the **European Monetary Institute, Personnel and Office Services Division, Postfach 10 20 31, D-60020 Frankfurt/Main,** and should reach us oo later than 5th December 1997. Applications will be treated io the strictest confidence and will not be returned.

Head of Fixed Income Product Control

Middle Office

London — **£ Excellent Package**

Our client is the London arm of a highly reputable US investment bank. They are a global player with the head office based in New York and a strong presence both worldwide and in the US domestic market.

The rapidly expanding London office is well established, currently employing over 400 staff. However, the product control function is still relatively new and as such provides more than the standard challenges of a traditional product control department.

Due to an internal promotion, they are now looking to replace their current Fixed Income Product Controller. This is a high profile role covering a broad range of duties across a very wide product group. Unusual to the role is that the controller will be sitting with and supporting over 35 traders and acting as a business manager to the senior trading managers in London. They will also be responsible for the supervision of a small team, analysing and reviewing trading activities and profit and loss information, pricing verification and analysis, and position and risk reports.

As this position reports directly to New York, it is crucial that the incumbent must be self-motivated and have the confidence to cope in an extremely fast moving and dynamic environment. Although an accountancy qualification would be preferable, the more important pre-requisite is having a minimum of three years product knowledge gained from a product control position in another high calibre organisation.

This is an unrivalled opportunity for an individual who is looking for a challenging role in an organisation where there is great scope to promote and reward those who are successful. Interested applicants should write enclosing a CV, in strictest confidence to Stephanie Warren at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, fax 0171 405 9649. Alternatively, you can telephone her direct on 0171 269 2303 for further information.

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Our client is one of the oldest and most reputable banks in the Middle East. Highly profitable, financially secure and well managed, it has an enviable reputation both domestically and internationally. Reporting to the CEO, the Global Risk Manager will have responsibility for developing and shaping an effective risk management policy within the context of the overall market conditions so that the Bank's interests remain safeguarded. This individual will also have responsibility for overseeing and co-ordinating the implementation of the risk policy.

The Position

- Formulate the Bank's risk management policy, taking into account all the main risk areas e.g. liquidity, market risk, overall credit risk and operational risk, in addition to advising the Bank's senior officers on the Bank's portfolio strategy and exposure in any given sector.
- Formulate the Bank's credit management policy so that it contributes to the Bank's development, while ensuring that effective credit control processes exist to safeguard the Bank's interests.
- Review all macro-economic developments in relation to risk, incorporating the findings into ongoing development of the Bank's risk policy.
- Monitor the Bank's compliance activities.

The Requirements

- At least 15 years' experience in banking, particularly in the area of risk/credit management, in a bank with a professional and well-developed risk management system.
- A high level of intellect, demonstrated by the nature of earlier work, and the quantitative skills and PC literacy required to understand modern "value at risk" techniques.
- An understanding of the legal and regulatory framework within which banking risk is taken.
- Direct experience of managing/assessing risk in all aspects, particularly credit and market risk, either as a practitioner or supervisor.
- An understanding of IT systems of reasonable size and complexity.

Please send your CV with current salary details to: Mr. Metin Mitchell, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90410F/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http//www.kfselection.com

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The Role:

- Production of high quality written research, often to tight deadlines.
- Visits to target companies throughout a number of industry sectors.
- Development of sophisticated financial models and modelling techniques.
- Contribution to the development of the bank's new and existing industry relationships.
- Involvement in the marketing of the firm's research product to institutional clients.

The Candidate:

- Graduate, possibly with a further finance biased degree.
- Fluency in French.
- Research and analysis experience gained in one of the following areas: Stockbroking, Corporate Finance, Investment Management, Accountancy, Management Consulting, Credit/Rating Analysis
- Focused team player with an ability to adapt to analysing companies from diverse industry sectors.

If you would like to know more about this opportunity, please telephone Colin Campbell-Dunlop on 0171 269 2304 or fax/write to him at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649.

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THE POSITION

- New role, enhancing existing methods, techniques and risk culture throughout this expanding group.
- Work closely with line management to increase understanding of risk management issues. Provide training and guidance.
- Establish effective risk management systems to provide continuous overview of group's global exposure.
- Produce regular reports for senior management on risk exposure. Ensure remedial action is taken to mitigate ongoing or future risks.

QUALIFICATIONS

- Highly numerate graduate currently involved in risk management, preferably in a financial environment.
- Solid understanding of risk management principles and methodologies. First-class technical and commercial skills.
- Enthusiastic, credible team player with excellent verbal and written communication skills. IT literate.

Please send full cv, stating salary, ref SC711H2, to NBS, One St Colme Street, Edinburgh, EH3 6AA

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Fixed Income Product Control Group

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One of the world's premier corporate and investment banking firms, our client is a leading player in the provision of finance, corporate advisory services and the trading of fixed income and equity products. A recent restructuring of the business along product lines has led to fixed income, foreign exchange and emerging markets being managed globally from London.

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Reporting to the Head of Global Projects within the aforementioned business areas, you will be one of two autonomous managers responsible for coordinating projects covering a wide variety of issues, such as new product development, new pricing mechanisms or changes to market and operational practices. The project content will be geared as much towards processes and markets as systems and controls.

In order to be able to run with initiatives from inception to implementation, you should be a graduate, qualified accountant with at least three years' post qualified experience within a capital markets control environment. This broad, hands on control experience could have been developed within investment banking or potentially, management consulting. Good product knowledge, including derivatives, will be essential.

The ongoing growth and development of the business, particularly in the emerging markets, combined with the high profile nature of this role, dictate that outstanding technical and interpersonal skills will be required. The ability to demonstrate sound commercial judgement and flexibility in achieving practical goals will ensure short term success and outstanding line management career prospects.

To apply in strictest confidence, please write, quoting Ref: 0363, enclosing a full CV to Tim Musgrave at The Bloomsbury Group, 4th Floor, 1 Southampton Street, London WC2R 0LR.
Or, if you prefer, call him on 0171 379 1100, Fax 0171 240 6362.

THE BLOOMSBURY GROUP
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- monthly consolidations of the European group's subsidiaries P&L's and B/S
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- maintenance and improvement of the group's general and analytical accounting systems
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- special assignments in multi-disciplinary project team.

The successful candidate will have the following qualifications:

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This senior position has a prime responsibility for the structuring of deals in addition to the negotiation and execution of complex investment transactions. This executive will also be the focal point for liaison and co-ordination with all joint venture partners.

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Responsible for all operational aspects of the business, the main focus of this position will be the setting up and development of appropriate office systems and procedures, ensuring that sound accounting and reporting controls are installed.

These are challenging roles, which offer a unique opportunity to join a dynamic new venture while living and travelling within the Middle East. The successful candidates will be highly motivated professionals with investment banking and business development experience. The comprehensive expatriate packages will contain a performance driven element in addition to a salary commensurate with the importance of the role. Please send your career details in strict confidence to **Brian Jarvis** or **Philip Wright** or telephone for an initial discussion.

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7 Birchin Lane, London EC3V 9BY
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DG

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Leading moneybroker based in London has a vacancy for a broker within our foreign exchange division.

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The Role

- within the firm's financial sector team, working directly with the senior banking analyst and existing European country analysts
- providing in-depth analysis of leading European banks
- having a significant amount of contact with institutional clients and with senior management of the companies researched
- being involved in primary market work in continental Europe

The Candidate

- gained industry knowledge by working in, consulting to or analysing European banks
- strong academic record and able to demonstrate impressive financial analysis skills
- self motivated with good communication skills
- probably aged between 25 and 35

Interested applicants should submit a full CV to:

Jonathan Gill,
at Axworthy Oliver Gill,
St Martins House,
Priory Court,
Pilgrim Street,
EC4V 6DR

Tel: 0171 329 3434
(evenings and weekends 0181 742 3874)

Fax: 0171 782 0200

E-mail j.gill@aog.co.uk

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THE POSITION

- Key member of talented team. Potential staff management role for strong performer. Liaise across all bank departments.
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- Bright graduate, possibly with additional professional qualification. 3 to 5 years' relevant experience with top credit team.
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THE POSITION

- Pivotal role in team of credit professionals. Analyse and assess existing and new credit proposals.
- Work to tight deadlines, providing detailed, accurate credit reviews and assessments.
- Work closely with senior credit and line colleagues across the organisation.

QUALIFICATIONS

- Graduate, possibly with further qualification. Sound credit training and solid analytical background.
- 1 to 2 years' relevant credit experience in highly regarded credit team. Self-confident with common sense approach. Strong PC skills.
- Sociable team player with strong interpersonal and communication skills. Potential for high-flier to develop career swiftly within credit team or elsewhere within organisation.

Please send full cv, stating salary, quoting relevant reference, to NBS, 21-26 Garlick Hill, London EC4V 2AU

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CORPORATE BANKING - FINANCE

CREDIT ANALYST - NBFI

An outstanding opportunity to join this top rated European bank and play a significant role in developing profitable relationships with key clients and prospects. The role will include credit and risk evaluation, preparing clear and concise credit assessments and accompanying Relationship Managers to meetings and presentations. The ideal candidate will be aged 20's to mid 30's with a minimum of two years' credit experience involving Non Bank Financial Institutions ie Insurance Companies, Fund Managers, Building Societies, Sovereign investors etc.

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For further details please contact or forward your CV, to Peter Brooker, Associate Director.

Gordon Brown

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Our client is a leading City stockbroker. A substantial commitment to investment research is a central component of the firm's activities. As part of the continuing development of its business, greater resources are being invested in coverage of larger European companies.

As part of an expansion of the firm's financial sector team, there is an opening for a specialist to provide comprehensive analysis of Continental insurance companies. The successful candidate will work closely with the senior insurance analyst, other members of the financial services team and the European country analysts.

The role will involve the in-depth analysis and forecasting of the performance of the larger European companies to the sector with which there will be a significant amount of high level contact. Research will be marketed through written reports and direct communication with institutional clients.

Applicants will be self-motivated and possess exceptional verbal and written communication skills. The successful candidate will have a strong academic record and be able to demonstrate impressive financial analysis skills. Applicants will already have extensive knowledge of the European insurance industry, including the reinsurance sector. This may come through employment within the insurance industry or from a consulting or accountancy role. An ability to explain ideas to non-sector specialists as well as to present to senior management will be considered a prerequisite. The successful candidate is likely to be aged 25 - 35 and may well have another European language.

Applications should be sent to Jock Coutts or Edward Amies at Career Plan Limited, 33 John's Mews, London WC1N 2NS. Tel: 0171 242 5775. Fax: 0171 831 7623.

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Fluent in English and at least one other language, you'll need to demonstrate sound commercial business awareness with numerical analysis capabilities, possibly gained through a financial degree or an MBA. You'll certainly be decisive with a passionate interest in business management and have drive, commitment, outstanding communication and presentation skills. Initially based within a major European city, you'll need to be internationally mobile in order to take up roles throughout Europe and the rest of the world.

In the first instance please send a full CV to David Maitland, Axus International, Berkeley Square House, Berkeley Square, London, W1X 5PE. Fax: 0171 514 5449. e-mail: maitland@compuserve.com

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New Financial Times Appointments Section

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RELATIONSHIP MANAGERS
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The Relationship Manager for Greece will have fluency in Greek and in English. French will be an asset.
The Relationship Managers for Brazil, Latin America or Spain will possess perfect knowledge of Brazilian, Latin American or Spanish mentalities, have fluency in Portuguese or in Spanish.

Please contact or send in your resume to Mr Henry F Bandelier at the following address:

Bandelier Executive Search
14 rue du Rhône
1204 Geneva - Switzerland
Tel: (0041.22) 304.08.68
Fax: (0041.22) 819.19.00
E-Mail: pandragon@worldcom.ch

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For further information please contact:
Mark Cunnington
+44 0171 873 3779

Financial Times

Senior Performance Analyst

to £40,000

AMP Asset Management

AMP Asset Management plc, one of the largest investment managers in the UK, is looking to recruit a senior performance analyst. With over £25 billion of assets under management, AMP is a dynamic, independent fund manager, investing in equities, bonds, property and cash in over 20 countries. AMP combines flexibility and team work, technology and experience in providing a long term commitment to both their clients and employees.

This vacancy is the perfect move for an experienced performance measurement analyst with limited supervisory experience to step up to managing a larger team. The role will involve:

- **Calculating and reporting investment performance figures and attribution analysis.**
- **Developing and maintaining performance measurement and attribution systems.**
- **Keeping abreast of developments in performance measurement and ensuring compliance with those standards.**
- **Maintaining professional relationships, both internally and externally.**

The successful applicant will be a numerate graduate, experienced with WM and CAPS measurement and software and capable of demonstrating the capacity to manage a young team. Suitable backgrounds are likely to be Fund Management, Custody or Actuarial Consultancy. If you have at least 5 years industry experience, with a minimum of 2 years within performance, then this could be exactly the role you have been waiting for.

For further information please contact Fraser Douglas at Badenoch & Clark on 0171-583 0073. Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AU. Fax: 0171-353 3908. Unsolicited third party CVs will be forwarded to Badenoch & Clark.

BUSINESS DEVELOPMENT

Asset Management

London

Very attractive package

Our client, a prestigious financial services and property group, has earned an impressive reputation for successfully identifying and developing markets by creating innovative new products, underpinned by a philosophy of long term commitment and distinctive marketing. To funher develop their asset management business, the group requires two experienced and proven sales professionals to market AAAm Money Funds to UK corporate and institutional clients.

Reporting to a Director and operating in a non-hierarchical, dynamic and entrepreneurial environment, the brief is to:

- Set and implement the new business agenda, utilising the research completed
- Perform a "player/coach" role in the sales team's development
- Establish enduring customer relationships and personally lead the sales effort
- Contribute significantly to the achievement of strategic and tactical objectives

Practised sales professionals should possess a successful track record in marketing and selling investment products to UK corporate and/or institutional clients. Ideal candidates will be able to demonstrate strong communication skills, a thorough understanding of financial markets and corporate treasury issues, and will be experienced in stimulating interest and winning fund management mandates. The roles will require frequent travel within the UK and will provide excellent scope for personal and long term career development.

Interested candidates should write with full CV, quoting current rewards package to Petra Rickmeyer or Rupert Dobson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HRD/14506/FT.

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BA Robertson Stephens International Limited is a renowned International investment banking organisation.

The Institutional Sales Group is a select group of specialists who wholly understand growth companies and growth investors and they are currently looking for talented sales professionals.

You will be dealing on a daily basis with institutional investors, especially those interested in growth stocks in a fast moving environment. You must have a minimum of 2 years' experience as a fund manager or broker with an in-depth knowledge of technology and healthcare investing. Experience of handling Institutional Swiss, Dutch or British clients would also be advantageous.

Self-motivated, you will need to be perfectly organised, bringing your enthusiasm and commitment to this professional team environment.

In return, we offer competitive salaries and banking benefits. If you wish to apply, please send your CV to Georgina Tebbutt, BA Robertson Stephens International Limited, 105 Piccadilly, London W1V 9FN.

BA ROBERTSON STEPHENS
International Limited

MIDDLE EAST SECURITIES SALES

Excellent package · London based

Our client is a leading international investment bank. As part of an ongoing strategy to develop their client franchise in the Middle East, they are looking for an experienced and highly skilled professional to join their Securities Sales team in London.

The role involves providing trading ideas, financial product structuring, market information, and sales execution to Middle Eastern clients located both in Europe and the Middle East.

You will need a successful academic background in a quantitative discipline, and an impressive record of achievement within an international financial institution. This will include at least three years' experience of marketing to clients at a senior level, both in the Middle East and either London or New York.

You should also have a comprehensive konwledge of Foreign Exchange, Fixed Income and Equity products, and their derivatives. Your in-depth understanding of Middle Eastern economies, politics and social structures will be complemented by fluency in Arabic, English and one other European language, preferably French or German. Finally, we are looking for proven technological skills and the ability to programme spreadsheets and databases, alongside excellent judgement, drive and discipline.

To apply, please send full CV, quoting ref: 2023, to the Response Management Team, Associates in Advertising (AiA), 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client. However, please clearly indicate any organisation to which your details should not be sent.

aia
HR MARKETING & COMMUNICATIONS

ABOGADOS

La Organización Techint es un grupo industrial que nuclea emprendimientos siderúrgicos, petrolaros, de ingeniería y construcciones y servicios an América Latina, América del Norte, Europa y Asia (véasa: *http://www.techintgroup.com*). Cuenta con una Dirección Legal Central qua presta asesoramiento jurídico integral a sus sociadades argentinas y extranjeras y a modo de estudio jurídico se ocupa, entre otros temas, de compraventas internacionales, adquisicionas y fusiones, *joint ventures*, financiamiento corporativo (incluyendo *project financing*), construcción y operación de grandes proyectos, mercados de capitales, defensa da la competencia y servicios públicos.

A fin de atender una demanda creciante da servicios en Argentina y en al axterior, la Dirección Legal seleccionará profesionales del derecho de ambos sexos con los siguientes requisitos:

- Estudios cursados en universidades de los Estados Unidos o Europa por un lapso no menor a 1 año.
- Experiencia profesional mínima de 3 años en el asesoramianto de empresas.
- Dominio oral y escrito del inglés.

Ea una excelente oportunidad para quienes se intaresan en una práctica activa y diversificada, an el marco de solidez que ofrece un grupo empresario consolidado.

Las personas interesadas deberán enviar urgente su Curriculum Vitae en español e inglés, en no más de dos hojas con la descripción de los trabajos más importantes raalizados especificando al rol desempeñado y la indicación da publicaciones de las que pudiera sar autor.

Dirección de Personal
Leandro N. Alem 1067 P.20
CP. 1001 Buenos Aires - Argentina
(Referencia Abogado)
Fax: 541-313-8228

TECHINT

NIGERIA : OIL INDUSTRY

General Manager Finance

We have been retained to advise on this high profile international carear opportunity. Our cliant is a major Intamational organisation expanding fast and undergoing an active program in Nigeria's oil industry.

For the past ten to twelve years you have been holding responsible financial positions with international institutions and hava daveloped your ability to establish good working relationships with governments. The quality of this professional expariance will count as much as your theoretical qualifications : a good University degree, probably an M.B.A., membership of financial professional organisations...

Before resuming duties in ABUJA, January 2000, you will benafit *from at least 18 months comprehensive* development program in one of Europe's major capitals. Salary is very attractive togethar with benefits packages and should motivate Nigerian nationals willing to relocate in their own country.

Please send a comprehensive CV quoting ref.9742/FT.

CLEAS
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6, place de la République Dominicaine 75017 Paris - FRANCE
Fax : 33 1 42 67 65 89

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MMS

FINANCIAL MARKET ECONOMISTS

Standard & Poor's *MMS* is the market leader in the supply of independent on-line foreign exchange, bond and money market analysis. It offers specialist real-time services which are read by over 40,000 market participants in trading rooms throughout the world.

Due to recent expansion, Standard & Poor's *MMS* is now looking to recruit two Fundamental Analysts, as part of the fixed income team, to cover the Mediterranean and Nordic countries. Post-graduate qualifications in economics are required, as is an ability to react quickly with authoritative analysis in response to market moving events. The successful candidates will have a minimum of two years' practical experience as financial market economists and will be good team players. Excellent written and verbal communication skills are essential and additional European languages would be an advantage.

These positions are based in London and offer an attractive salary and benefits package, together with career opportunities in a dynamic and growing international organisation.

Please apply in writing, enclosing a CV, to Helene Ilmaier, Standard & Poor's *MMS*, 14 Ryder Street, St. James's, London SW1Y 6QB.

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SENIOR FINANCIAL MARKET SPECIALISTS

Chemonics International, a leading international development consulting firm, seeks qualified Senior Financial Market Specialists to work in Cairo on a 3 year USAID-funded Capital Markets Development Project. Positions include:

- Project Director/Chief-of-Party with capital market and securities law expertise, previous experience working in emerging markets, and experience managing international technical assistance.
- Advisor with expertise in securities regulation and enforcement.
- Advisor in state-of-the-art management information systems for stock, bond and money markets.
- Adviser in the area of securities trading and money market development.
- Advisor in capital market institutional capacity building with experience in the brokerage industry, training of financial analysts, and the coordination of a public education program.

All positions require at least 10 years of experience and advanced degrees. Prefer candidates with previous USAID and emerging market experience. Send resume to HLO.Recruit, P.O. Box 18895, Washington, D.C. 20036.

Debt Capital Markets & Structured Products

We are looking for an origination candidate who will be responsible for originating new issue, private placement and structured product opportunities with borrowers. Coverage of the Bank's Canadian and US client base as well as European frequent borrowers.

The candidate should have

- An undergraduate degree. MBA, CFA, ACA or equivalent designation would be an added benefit.
- Minimum of 3 yeras experience in similar position working for major institution.
- A good understanding of derivative products and their application to borrowers.
- Experience in marketing to North American borrowers.
- Full knowledge of legal documentation relation to new issues.
- Fluent in English and working knowledge of French.

Please send CV's to:

PO Box 17558,
London EC4N 8NB

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New Financial Times Appointments Section

Trading Places

For the announcement of changes to senior personnel within your company contact:
Ben Bonney-James
on +44 171 873 4015

INVESTMENT CONSULTANCY IN JAPAN

Frank Russell Company is one of the world's largest and most influential investment consultancy firms. We are the market leader in investment consultancy in Japan, and rapid business growth has created the need for an additional professional in our Japan manager research group.

You will be a highly motivated investment professional who will enjoy tha challenge of working in a rapidly expanding business. You will be fluent in written and spoken Japanese, have a strong analytical mind and excellent interpersonal skills.

The Position

We envisage a 12 month training period in our London office followed by a transfer on a permanent basis to our Tokyo office. Our manager research professionals around the world are focused on identifying the best investment managers in the market place. You will:

- Interview key decision makers in asset management firms.
- Review performance and portfolio characteristics.
- Critically evaluate investment organisations and their decision-making processes.
- Work closely with colleagues in Tokyo, London and other offices.
- Assist in servicing some of the largest pension funds in the world.

You will be a graduate, ideally with an MBA, CFA or equivalent, and will have several years of investment-related experience, gained from within an asset management, investment banking or consultancy environment.

In complete confidence, please write with CV to:
Mirella Herbu, Frank Russell Company, 6 Cork Street, London W1X 1PB

Russell

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ACCOUNTANCY APPOINTMENTS

International Securities House

Head of Regulatory

City **c £100,000 Package**

Our client is one of the world's premier securities houses with global coverage in brokerage, trading, underwriting, strategic advice and structured finance. Backed by a strong parent company, our client's network encompasses operations in 35 overseas locations.

Substantial growth, combined with a clearly focused innovative approach has placed our client at the forefront of the international securities arena.

As a result of increasingly complex trading activities, our client is looking to recruit a new Head of Regulatory Reporting. This is a high profile role and, as such, will have an immediate impact across all areas of the business. The successful candidate must be able to inspire confidence and credibility both externally with the SFA and internally across all levels of the organisation.

Our client is not just looking for a technically sound individual, but someone who can further develop and manage effectively an existing team. This person should be able to add value to the business from the outset. The ideal candidate will be a regulatory professional with a proven track record of the production of CAD reporting and experience of advising trading areas on the implications of complex trading transactions and any new business initiatives.

If you consider that you have appropriate experience and would be interested in moving to an organisation which is a leader in its field, please fax or send a CV including current remuneration details to Joanna Adolph at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, fax: 0171 405 9649. Alternatively, you can telephone her on 0171 269 2341. All applications will be dealt with in strictest confidence.

Michael Page City
International Recruitment Consultants
London New York Paris Amsterdam Frankfurt Milan Madrid Hong Kong Singapore Sydney

Financial Controller

Surrey **c £50,000 Package**

With a turnover of £20 million, our client a rapidly expanding organisation in the production of direct mail communications, has identified a requirement for a proactive, hands-on Financial Controller to join their management team.

The organisation has very progressive strategic plans, which include substantially increasing turnover in the direct marketing sector within the short to mid term via ongoing organic growth and through acquisitions both in UK and Europe.

This is a new position within the organisation and a key priority for the Financial Controller will be to ensure that operational systems and reporting fundamentals are in place to facilitate the planned expansion programme.

Priorities will also include:
- Management and development of the Finance team.
- Ensuring tight financial controls are maintained, paying particular attention to cash management.
- Assisting with the implementation of new financial systems.
- Implementation of a fully integrated MIS System to facilitate margin and customer profitability improvements.
- Involvement in acquisition planning projects.

Suitable candidates will be qualified accountants, aged between 28-35, who possess well rounded accounting backgrounds, including experience of staff management preferably within a fast moving service-led environment. Additionally, candidates need to possess high levels of motivation, be proactive in approach, possess commercial acumen and enjoy working in a 'hands-on' environment.

Candidates wishing to be considered for this role should forward their CV, including current remuneration details, quoting reference 372685 to our retained consultant Alistair Robinson, Michael Page Finance, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

European Financial Analyst

Surrey **c £40,000 + Bonus + Benefits**

Fast growing, dynamic and entrepreneurial, our client is a market leader in the provision of database information services to pharmaceutical and healthcare companies in Europe, Japan and the United States. Formed in 1991 and with a turnover of $100 million, our clients services enable customers to optimise their financial performance in a value driven environment.

Continuing European expansion has resulted in the need for a European Financial Analyst to join a highly professional organisation. The emphasis is on action orientated and commercial input within a creative, rapid response and unbureaucratic culture.

The successful candidate will be expected to contribute to the group's ongoing development and ensure that information provided by the subsidiaries continues to facilitate effective management decision making.

Key responsibilities will include:
- Monthly analytical reporting on revenue, profitability and cash flow performance.
- Review of European entity budgets and forecasts.
- Deputise for European Controllers as and when required.
- Undertake projects including acquisitions, disposals and strategic business reviews.

Suitable candidates will be qualified Chartered Accountants probably aged between 27-32, who have experience of working in industry and commerce. They must be proactive, highly motivated, results orientated and possess the necessary communication skills to liaise with management at all levels.

Candidates who wish to be considered for this position should forward their CV including current remuneration details quoting reference number 383815 to Alistair Robinson, Michael Page Finance, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

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MIC

Chief Financial Officers

Russia **Significant Expatriate Packages**

Millicom International Cellular SA (MIC) is a NASDAQ listed group, specialising in providing cellular communications to countries where rapid economic development and limited telephone service combine to create significant demand for the company's services. Its mission is to create value by anticipating change not waiting to react to it.

MIC holds over 30 licences to operate cellular networks in countries with a combined population of 400+ million people and is additionally pursuing new licences in a number of other regions.

MIC's expansion in Russia is presently focused on 12 joint venture partnerships across the country, though this is planned to increase as more licenses become available.

In line with this expansion, they now require two CFOs to complement a vibrant, energetic and highly ambitious management team who have consistently achieved 100% compound subscriber growth over the past five years.

To be successful in this role, you will possess a recognised business or accountancy qualification and have a proven track record of leading people in a fast moving commercial environment.

Responsible for the Financial Strategy of the operation as well as supervising all financial control, reporting and accounting, you will be an excellent communicator and negotiator with a dynamic, robust, entrepreneurial personality and *strong sense of diplomacy*.

To be considered for one of the above roles, please forward your CV, including salary details, quoting reference 383308 to our retained consultant Jonathan Stokes at Michael Page, Savannah House, 11 Charles Street, London SW1Y 4QZ or fax +44 (0)171 976 2612.

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Madrid Milan Hong Kong Singapore Sydney Melbourne Auckland New York

Financial Director

Subsidiary of a Major UK Plc

North West **c £40,000 + FX Car + Bens**

Our client, a £15 million subsidiary of a major UK Plc is a niche player in the design, manufacture and marketing of capital equipment. Supplying countries worldwide, they are recognised as being a market leader in their chosen sector.

Reporting directly to and working closely with the Managing Director, the role is fundamental to the guidance and support of the business.

Key areas of responsibility will include:
- Effective financial control over the business.
- Budgeting, financial analysis and planning.
- Reporting to and liaison with group headquarters.
- Ensuring information produced by the Finance Department facilitates effective management decision making.

Suitable candidates will be qualified accountants, aged 35-50 with excellent financial control experience in a manufacturing environment with proven commercial experience of standard costing and pricing.

Additionally, candidates need to possess high levels of motivation, be proactive in approach and possess the ability to influence the decision making process.

Interested candidates should forward a comprehensive curriculum vitae, quoting reference number 383762, together with current remuneration details to Barry Heald or Gareth Davage at Michael Page Finance, 4th Floor Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

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International Federation of
Red Cross & Red Crescent Societies

Seeks to fill the following position

INTERNAL AUDITOR

This key position ensures the effectiveness of internal control systems relating to funds that are destined specifically for the protection and dignity of human life throughout the world.

Duties will include conducting audits within the Secretariat departments in Geneva and throughout the Field to assess the quality of financial information, evaluate the adequacy of administrative and accounting controls that are in place, verify the effective and economic use of resources and ensure that assets are safeguarded. In addition, you will be required to provide continual follow-up and assistance to Secretariat departments and National Societies to develop and improve their systems of internal controls.

Qualifications include a university degree, with preference for an MBA, and/or a professional accounting accreditation (i.e. C.A.) together with at least 3 to 5 years experience in public accounting or auditing. Excellent negotiation and communication skills in English are required as is the ability to work effectively under pressure. Competence in one of the other official languages of the Federation (French, Spanish or Arabic) is also required.

This position is based in Geneva and travel will be required.

The International Federation is an equal opportunity employer and applications must be received by 12 December, 1997 indicating competition number 97-248 and addressed to the following:

Head, Recruitment and Human Resources Planning
International Federation of Red Cross & Red Crescent Societies
PO Box 372, CH-1211 Geneva 19
Fax: 41 22 733 1727

financial controller

Lugano, Switzerland

c£50,000 + benefits + relocation

Thomas&Betts

Our client, Thomas & Betts, is a US-based company with turnover in excess of US $2 billion whose principal focus is the manufacture and distribution of electronic and electrical components, connectors and accessories. Due to rapid expansion through acquisitions and market penetration, an opportunity has arisen for a Financial Controller in their manufacturing facility based in Lugano, Switzerland.

Reporting to the European Operations Controller and managing a finance team, this broad and challenging role will assume responsibility for all statutory, financial and management reporting. *Additionally, the controller will become a part of the senior management team and provide key input for operational decisions.*

The successful candidate will be a qualified accountant with at least five years' post qualification experience and a proven track record in a fast growing manufacturing environment. Strong interpersonal skills and computer literacy are prerequisites.

Please apply directly, enclosing full CV and current remuneration details to: Lisa Bailey, Robert Half International, 6th Floor, Bank House, 6 Cherry Street, Birmingham B2 5AL. Telephone: 0121 616 4600 (24 hour answering service). Fax: 0121 643 6170.

As retained consultants, any CV's submitted directly to our clients will be forwarded to Robert Half.

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هكذا من الاصل

Audit Manager

Heathrow — Excellent Package

British Airways is an £8 billion global business, serving over 38 million customers a year and connecting communities across the globe. We are moving through a period of major operational and strategic change, with significant investment in effective performance improvement initiatives.

The Internal Audit Department enjoys a positive profile within this demanding and fast-paced environment and has an excellent record of moving ambitious individuals into senior financial management roles. We are now seeking an Audit Manager to focus on the following key tasks:

- build open relationships with operational functions across the business, adding value at a high level to real business issues;
- mentor and develop staff through management of financial and operational audits on a worldwide basis, undertaking up to 25% travel;
- develop recommendations to improve management controls, generate efficiencies and cost savings, and facilitate well controlled change.

You will be a graduate chartered accountant with a minimum of three years' post qualification experience, gained in a dynamic, multinational, corporate environment. Exceptional candidates currently working in the profession will also be considered, whilst computer audit expertise would be of particular interest. Sound technical ability, highly developed commercial awareness and outstanding communication skills are essential in order to create a sustained impact within the organisation.

An excellent remuneration package is on offer, including a generous range of large company benefits.

Please send a full CV in confidence to GKRS, 86 Jermyn Street, London SW1Y 6JD (telephone 0171-468 3800), quoting reference number 803J on both letter and envelope, and including details of current remuneration.

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CIBC Wood Gundy Oppenheimer is the highly successful European corporate and investment banking arm of CIBC, the second largest financial institution in Canada and seventh largest in North America. As part of the CIBC World Markets Group of companies, with more than 8,000 employees in 31 cities in 14 countries worldwide, CIBC Wood Gundy Oppenheimer offers opportunities that are as broad as the globe.

The Opportunities

With continuing growth in our European Business, we are seeking two high-calibre finance professionals, who are committed to excellence. You should be a highly motivated team-player wanting to make your mark in a dynamic fast-changing environment, free of rigid structures and traditional approaches.

Trade Support Assistant Manager

You should have 2-5 years Fixed Income experience, (preferably in a product accounting role), with the desire to drive the team and business forward.

You will be responsible for:

- Deputising for the Manager and involvement in daily decision making.
- Risk analysis including Capital Attribution, Interest Rate exposure and Liquidity.
- Supervising P&L production team.
- Implementing projects and developing ideas to progress the business.

Regulatory Reporting Manager

You should have 2-5 years of regulatory reporting experience (preferably Bank of England), a drive for high quality and experience of team management.

You will be responsible for:

- Managing the regulatory reporting group.
- Ensuring all returns are filed within prescribed deadlines.
- Monitoring limits on a daily basis.
- Assisting in development of regulatory reporting systems.
- Improving internal regulatory reporting.

Remuneration will be highly attractive and commensurate with your skills and experience. If you wish to join an expanding and dynamic organisation, please call Lisa Carter or Chris Persson of Executive Connections on 0171-304 9000 (evening/weekends 0181-948 2093) or send your CV to 43 Eagle Street, London WC1R 4BX. Fax 0171-304 9001. E-mail: cibc@executive-connections.co.uk.

CIBC Wood Gundy Oppenheimer
A CIBC World Markets Company

Divisional Finance Director

Growth Orientated Manufacturing Group

United States — $ Six figure package

Our client is a US based division of a successful and acquisitive UK quoted manufacturing group. The Division currently has a turnover in excess of $130 million and is engaged in the manufacture of a range of electronic components which are supplied to the aerospace and automotive industries amongst others. Their customers include organisations such as Intel, Ford, GM and Boeing.

THE POSITION

- Reporting to the Divisional Chief Executive in the US, the individual will have responsibility for evaluating and reporting on the performance of six operating entities within the North American division.
- Enhance and develop the systems and procedures which facilitate control and provide meaningful information for effective business decisions.
- Ensure timely and accurate reporting/analysis of performance. Play a key role in developing business strategies, including evaluation of potential acquisitions, to deliver profitable growth.
- Provide leadership to the business unit Finance Directors to ensure the highest standards of financial management are achieved.

QUALIFICATIONS

- Qualified Accountant, likely aged 30-40, with a strong track record of achievement in a manufacturing environment. Ideally this will have been gained in a multi-site manufacturing organisation.
- Strong commercial acumen and analytical abilities, coupled with excellent interpersonal skills and able to influence and communicate throughout the organisation.
- Able to perform at both a corporate and an operational level, with an awareness of tax/treasury issues and capable of managing relationships with external advisors.
- UK or US citizen prepared to relocate permanently to the US.

Interested candidates should write enclosing full career details, current salary and where possible a daytime telephone number to Stephen Banks or Andrew Drazin at Questor International, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2341. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: andrew@questorint.com

QI
QUESTOR INTERNATIONAL

Financial Controller

Fast Track Opportunity

London — TIME — Excellent Package

Time Inc. is the magazine publishing business of Time Warner, the world's largest media and entertainment corporation. Time Inc's "Atlantic" business, whose geographical market comprises Europe, the Middle East and Africa, is headquartered in London with a network of international offices and an administration centre in Amsterdam. Its main activity is the publication of Time Magazine, the world's leading weekly news magazine with a circulation of nearly six million copies worldwide and over 620,000 in the Atlantic region. Time Inc. Atlantic, which generates annual revenues of over $100 million, has ambitious expansion plans, as evidenced by its recent acquisition of Wallpaper*, the sensational new global lifestyle magazine.

THE POSITION

- Newly created position reporting to and working closely with the Finance Director.
- Responsibility for financial control, reporting and budgeting processes across the business working closely with the financial operations group in Amsterdam.
- Explicit responsibility for financial support to the Consumer Marketing Director.
- Provision of analysis and support to the FD and CEO on a range of new business development and acquisition activities.
- Excellent remuneration package and real opportunity for rapid career advancement.

QUALIFICATIONS

- Qualified accountant, probably aged early 30's, with excellent technical skills, a first rate academic record and preferably with experience of a dynamic international media or consumer business.
- Ambitious, commercially minded self starter with the creativity, stamina and personal credibility to make a real impact quickly.
- Flexible, organised team leader with strong communication/interpersonal skills and with the ability to take a global view while maintaining an attention to detail.

Interested candidates should write, enclosing a full CV and current salary details, to the advising consultant, Richard Wilson, at Questor International, 3 Burlington Gardens, London W1X 1LE. Telephone 0171 292 8300. Fax 0171 287 5457. Please quote reference 2339. E-Mail: gail@questorint.com

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A billion dollar driving force at the heart of the information revolution, our client has an outstanding reputation built upon the expertise to engineer some of the world's most advanced broadband multimedia *networks from their ever-developing state-of-the-art* product set. Facing enormous opportunity within the newly liberalised European communications industry, a European board is being created to aggressively grow a business currently operating in over 10 countries with annual revenues of $200m.

Critical to our client's continued success is the appointment of a Finance Director with responsibility for establishing an effective European business structure, developing appropriate management processes as necessary. Reporting to the VP Europe and with financial control of the entire EMEA region, the role will also play a key part in defining and implementing the European growth and acquisition strategy.

The successful candidate will be a qualified accountant with a proven international business management pedigree, ideally incorporating experience of European mergers and acquisitions. More important, however, will be experience of successfully managing substantial change programmes. Experience gained within a US multinational or a manufacturing business would also be useful.

To apply, please send your CV, quoting reference 622072A, your current salary and a daytime telephone number, to the advising consultants, Goodman Graham, 8 Beaumont Gate, Shenley Hill, Radlett, Herts WD7 7AR. Fax: 01923 854791. Email: *goodman.graham@gga.co.uk*

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Finance Director, International

PowerGen, with a market capitalisation of £4.3 billion, is one of the largest electricity generating companies in the world. As part of its expansion, which has delivered considerable shareholder value since its flotation in 1991, PowerGen has created a significant international I.P.P. business. Its span of investments in Asia and Europe now has a combined value in excess of £6 billion with a committed future and installed capacity of over 8,000 MW of power. A stretching opportunity exists for a highly commercial finance manager to join the divisional team and support the MD of PowerGen's International Division in continuing to build the business and realise a challenging strategy which will contribute to PowerGen becoming a leading global electricity and gas company.

THE ROLE

- Directing a small professional financial management team to ensure the effective financial control of the business and, through Regional Finance Teams, the monitoring of existing joint venture companies and projects under construction, and building effective relationships with banks, financial advisors and joint venture partners.
- Developing further a high grade team to ensure the current excellence in financial analysis and project modelling, allowing PowerGen to maintain their commercial edge in a highly competitive global market and to support continued expansion of the business.
- *Focusing the resources of the Group, particularly project* finance, tax and treasury, to ensure that PowerGen continues to provide imaginative and successful funding proposals for new projects.

THE QUALIFICATIONS

- Graduate ACA/MBA, with first-class financial management and control skills gained from a capital intensive global business.
- Innovative and energetic manager with superior communications skills, tenacity and resilience. Strong team player, comfortable and effective across international business cultures.
- Organised and disciplined with excellent project and process *management skills. Ambitious and capable of progressing* further

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- Contribute to business performance by initiating and implementing change. Work closely with operational management participating strongly in decision making.

THE INDIVIDUAL

- Graduate, qualified accountant with upwards of four years' PQE preferably gained in a major financial institution. Strong knowledge of mutual funds and/or retail investment products advantageous.
- Applications are also invited from candidates with a background in financial/statutory reporting or currently in the profession as Managers or Senior Managers.
- Commercially astute and technically excellent with a record of achievement and contribution to strategic direction and divisional performance.
- Excellent communication skills. Stature and credibility to operate and influence at senior level. Intellectually strong, lateral thinking and highly ambitious.

To apply please send full cv, stating salary, ref LG711H6, to our advising consultant, Simon Bailey, at NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 491 0447 Tel 0171 493 6392
Email SimonB@nb-selection.co.uk .

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We are looking for graduates with several years' relevant experience. You are likely to be either a consultant in a banking and finance unit of a public accounting or consultancy firm, or an experienced banker in Treasury, Process Improvement, Internal Audit or Information Risk Management.

For all vacancies, excellent interpersonal and communication skills are prerequisites. An ability to speak Cantonese or Putonghua would be a distinct advantage.

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Suitably qualified and experienced candidates *should send a full CV to:*
David Greenwell,
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Birmingham B3 1QS

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Our client is a globally diversified business both in terms of location and products. With sales in excess of $42Bn its operations extend world-wide and include petroleum exploration and production, refining and marketing, pharmaceuticals, fibres, films, polymers, electronic materials, speciality chemicals and packaging materials.

The past and continuing growth of the company's earnings and value is based on a three-part growth strategy; achieving maximum value from the existing brands, developing new products and brands through an extensive program of research and development and taking advantage of synergies where they exist within other companies by way of acquisition or joint ventures. As a result of this dynamic environment opportunities have opened up in the company's high profile and forward-looking Internal Audit function.

The Internal Audit department acts as an internal consultancy providing support to re-engineering projects and information system design, in addition to providing the more traditional services of control systems reviews and investigations. As such, the audit department plays a pivotal role in the process of integrating newly acquired businesses and ventures into the company. Thus the audit department are involved in a wide variety of business processes and decisions in a diverse group of SBU's.

The department is extensively multi-cultural with 11 nationalities based in 7 locations throughout Europe, and services 200 sites in 30 countries. This large spread of operations means that the successful applicants for the role would gain an unparalleled overview of the operations within Europe. The commercial experience and exposure gained within the group would allow applicants to pursue opportunities within the company that are global in nature.

You will have an exceptional academic record and excellent communication skills. In addition, it would be advantageous if you were fluent in at least one other European language. Whilst audit experience would be beneficial, our client is looking for people from a broad range of commercial, operational, finance and IT backgrounds.

Personal pre-requisites include strong communication and inter personal skills, the ability to be a strong yet flexible team player and the ability to be highly self motivated. The role entails travelling throughout Europe for around 50-70% of the working year.

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New Financial Times Appointments Section

Trading Places

For the announcement of changes to senior personnel within your company contact: Ben Bonney-James on +44 171 873 4015

Head of Management Information

c£45,000 & Car

This client is a substantial Engineering Business with a turnover well in excess of £50 million comprising products which are recognised and sold globally.

They now wish to appoint a pro-active accountant to service the management information needs of all members of the Board and Senior management. Reporting to the Finance Director, the role calls for an individual with good business sense and strong analytical skills who will take business analysis and support data to the directors and managers in addition to responding constructively to their own requirements and ideas. The vision to see market segment, product line and pricing issues; real costs to market, and competitor issues in addition to manufacturing efficiencies, cost analysis and control is central to the role. Sound managerial skills are also needed to regroup the resources of the department and run it dynamically, realign much of the core data and improve systems.

Applicants should be graduate qualified accountants, aged 30-35, with a sound grounding in the Engineering Sector and the ability to operate at the top level in a sizeable, complex business. Strong presentation and communication skills are essential. Location: North Bristol.

Please reply in confidence quoting reference L640 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 0171-240 7805

Mason & Nurse
Selection and Search

Finance Director Logistics

c£65,000 plus excellent package

Our client is an £800 million quoted FMCG Group with a number of market leading products in large competitive sectors. The Group's Logistic Division manages the whole supply chain from order receipt and manufacturing call off, through despatch and delivery, to invoicing and cash collection. The key challenge is to deal proactively with an increasingly sophisticated service to major retail customers whilst ensuring an efficient least cost operation.

The Logistics Finance Director has exposure at a senior level to all aspects of the Group's Operations and will need good commercial awareness and the analytical skill to grasp key issues across the business. Reporting to the Logistics Director, the successful candidate will play a key role in managing and improving customer service and operational performance. The main elements of the role also include short and medium term strategy formulation; financial input into, and control of, major projects; credit control for the Group and financial control of a large cost base. There is also regular contact with executive members of the main Board including the Group Finance Director.

Candidates should be Graduate Chartered Accountants with outstanding academic and professional qualifications who have experience of FMCG or the Logistics sector gained either in industry or as a senior manager in a Big 6 firm. Attention to detail and strong technical skills should be combined with good all round communication ability. Candidates must have the energy and dedication to cope with sustained pressure and the strength of personality to make an impact at main Board level.

The position will be based in S.W.London and will require regular visits to the Group's operating sites throughout the country.

Please reply in confidence quoting reference L642 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
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Financial Times

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We are also interested in speaking to outstanding people from any specialism, particularly Japanese speakers.

If you'd like to be part of our success call Nigel Banks/Vanessa Moon at Robert Half International on 01222 389200 alternatively write to: c/o Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE.

Interviews will be held in Cardiff.

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No stranger to a fast-growing multi-national blue chip environment, you'll bring an unequalled knowledge of reporting procedures, systems and project management. You will demonstrate strong technical expertise, coupled with excellent business planning skills and the ability to spot opportunities and turn them into business objectives. This will have already distinguished you from your peers. Ideally, you will be a qualified accountant or an MBA, with a second European language.

Based at our European Head Office in Bracknell, your operational input and strategic influence will impact on our business across Europe. Career development is unrivalled.

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E-mail: vikkieurope@fss.co.uk

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- Be responsible for strong financial controls and all aspects of external reporting (including DTI)
- Provide meaningful and relevant management information and advise on key issues
- Support the Managing Director in the profitable growth of the business
- Drive the short and medium planning, proactively and positively contributing to all commercial developments and discussions

A qualified Accountant, with a strong technical background and an attention to detail, you must demonstrate a successful track record of adding value to commercial decision-making within financial services. This will require real business maturity, high levels of personal and professional credibility and excellent presentation and communication skills. Your ability to see the wider strategic picture and your skills in influencing on both financial and business matters will be critical to your contribution. An affinity with computerised systems is essential. Flexibility, energy and enthusiasm will be necessary for you to rise to this exciting challenge and success in the role will lead to rewarding career opportunities within the plc.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HKW/14500/FT.

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My clients are c£40m turnover, manufacturing subsidiaries of a fully listed UK plc, with significant market share for their branded product ranges. As a result of recent restructure, we are now seeking two proactive and commercially minded, qualified accountants to take up these key roles as integral members of the management teams.

Managing a small team, both posts hold responsibility for the provision of a full, value adding management accounting service to the business including: product and customer profitability analysis, budgets, forecasts and capex appraisal. Key objectives will include the review and refinement of existing accounting systems and controls; and the development of management information for use by operational management throughout the business.

Ideal candidates will be qualified accountants (CIMA preferred) with at least three years post qualification experience gained in a fast moving, consumer orientated, manufacturing environment. Familiarity with product costing and financial planning and analysis is essential, as is a high degree of systems literacy. In addition you should possess excellent communication skills, coupled with the personal charisma necessary to interact as part of a lean and operationally focused management team.

To apply, please send a current CV, quoting Ref: AI935 indicating preferred location, to Karan Paige at Paige Consulting, PO Box 276, Exeter EX3 0YP.
Tel: 01392 876754. Fax: 01392 877927.
Email: paigecon@eclipse.co.uk

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FINANCE MANAGER

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The centralisation of commercial functions to a single site in Northamptonshire has created an opportunity for a talented and highly motivated finance professional to forge an exciting career path with this international group, initially within the UK Take Home Sales Division, which supplies a range of major beer brands to multiple retailers and wholesalers in the UK market.

Reporting to the Finance Controller, responsibilities will include:

- The provision of management accounting information incorporating detailed brand and customer profitability analysis;
- Analysis and appraisal of promotion proposals and new business opportunities;
- Critical financial support and guidance to the senior management team;
- Continual maintenance and monitoring of accounting controls and processes to ensure the provision of accurate information.

The successful candidate will be:

- A high calibre qualified accountant with at least two years post-qualification commercial experience gained ideally within the FMCG sector;
- Able to demonstrate exceptional analytical and presentation skills;
- A team player with well honed interpersonal skills and the ability to communicate and influence at all levels;
- Highly pro-active with a robust, hands-on approach;
- Able to lead and motivate a small professional team.

Interested candidates should contact Paril Kotecha or Richard Baker ACMA on 01727 840660 (evenings and weekends 0956 935919 and 0973 226749 respectively) or forward their CV to Harrison Willis, 47 London Road, St Albans, Herts AL1 1LJ.
Fax: 01727 840662.
E-mail: st.albans@hwgroup.com
Internet: http://www.hwgroup.com

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KPMG

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Having achieved market dominance on their UK/Ireland/Paris & Brussells routes, they are now in the process of expanding their services throughout Europe and Scandinavia. Stansted will be the hub of their UK to Europe operations and its staff will rise from 100 to 350 in 1998. They now need to appoint a Commercial Controller to work with the senior management team in establishing and developing the business. Working with the Heads of Operations, Sales, and Engineering and reporting functionally to the Finance Director in Dublin, responsibilities will include:

- The development and implementation of the expansion programme.
- Managing the financial performance of the UK and European operations.
- The implementation and management of financial systems.

Likely to be aged 30 – 40, the successful candidate will be a qualified accountant with significant senior financial management experience gained in a professional and dynamic environment. Previous experience within the airline industry is not required. Of greater importance is the commercial acumen necessary to take the business to the next stage of development, combined with the maturity and confidence to be credible at all levels.

Interested candidates should apply in writing with full career details including salary, quoting reference **BWA20 to Gerard Moore, KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AK.**

KPMG Selection & Search

FINANCIAL CONTROLLER

Lancashire

c. £35,000 + FX Car + Substantial Benefits

Our client is an autonomous subsidiary of a world class manufacturer servicing diversified markets in the USA and overseas. The UK subsidiary, which supplies directly to the retail sector, is expanding rapidly, largely due to increased penetration in the European markets. Its manufacturing capacity has been substantially enhanced to enable further product diversification and growth.

The position reports directly to the International Vice President and on a functional basis to the Senior Vice President of Finance. The Financial Controller is responsible for monitoring and controlling the financial performance of the company as well as playing a proactive role in the company's strategy. Key responsibilities include business planning, financial reporting, cash management, ongoing systems development and involvement with acquisitions.

The successful candidate will be a qualified accountant capable of working effectively in a team environment providing financial direction founded on the use of a long term, commonsense approach to business decision making.

Interested applicants should write, quoting reference GBF5 and enclosing a full curriculum vitae and current salary details to Geoff Blackwell-Frier ACA at Harrison Willis, 26 Cross Street, Manchester M2 7AF.
Tel: 0161 832 7728.
Fax: 0161 839 1375.
E-mail: hwgroup@aol.com
Internet: http://www.hwgroup.com

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Our client is a highly successful investment manager active in equity and debt investment in the U.S., European and Emerging markets with approximately $2bn under management.

As part of continued expansion, they are looking to recruit an individual to take the leading role in the day-to-day running and development of its 'back-office' function.

The chief responsibilities of the role are:

- The timely and accurate settlement and recording of trading activity
- The provision of comprehensive and accurate financial data concerning the funds under management
- The on-going development and re-engineering of systems

In addition, you will be required to supervise a team of highly qualified and dynamic staff and play an important part in the development of the company'a future.

This is a most challenging poaition that will only suit a dedicated individual with enthusiasm and stamina. You must be self-disciplined and able to work in a pressurised team environment. It is also vital that you are able to display the requisite levels of financial and accounting skill, business acumen and dynamism to fit into an organisation of this calibre.

To qualify for consideration for this position, you must have:

- A full accounting qualification
- At least five years' relevant experience gained in a similar organisation
- A successful track record in people-management
- First-class written and oral communication skill
- Advanced computer literacy, particularly Excel spreadsheets
- Proven ability in systems development and implementation

In return for your continued effort and success, you will be well rewarded with a highly competitive remuneration package and enjoy an unrivalled quality of life.

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Reid Hall, 3 Reid Street, PO Box HM463, Hamilton HM BX, Bermuda
Fax: (441) 295 1025 E-mail: james@tjp.bm

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Financial Times

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We are looking for astute, entrepreneurial, and persuasive self-starter with proven and relevant abilities.

To apply please send your CV (including details of current remuneration) marked Private and Confidential to
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Further impressive growth is anticipated with sustained investment in R&D, effective and globally driven manufacturing, and innovative marketing of its household name products.

Owing to such growth, both organic and by acquisition our client now seeks to appoint an International Tax Planning Manager. Reporting to the Head of Tax, principal accountabilities for the successful individual will include, inter alia:

- Cross border and local planning
- Advice on acquisitions, disposals, internal reorganisations and new business ventures
- Responsibility for forecasting, financial reporting and compliance
- Ad hoc international VAT and Customs planning

Creative and proactive by nature it is envisaged that the successful individual will have the following profile:

- Currently working within a premier accounting firm or commercial organisation, a high calibre individual with up to five years post qualifying experience
- A strong communicator with the ability and confidence to work successfully in a multidisciplinary environment dealing with all levels of staff up to and including Board Members
- A team player who is highly commercial in outlook

To discuss this outstanding opportunity further please contact our retained adviser **Andrew Hick at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE.** Tel: 0171 379 3333. Fax: 0171 915 8714.
E-mail: andrew.hick@robertwalters.com

All applications will be treated in the strictest confidence.

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Influential commercial roles within a successful Group

With a turnover approaching c.£800m, our client is acknowledged as one of the most successful and entrepreneurial international manufacturing groups of this decade. The Group manufactures a wide range of products to a diverse and international client base. Widely recognised for their strong financial control and dynamic management style, they are now seeking to recruit two outstanding Accountants for the following key roles:

Accountant - Group Corporate Projects

Initially North East based — ***Package £60,000, fully expensed car***

You will initially be based within a newly acquired £60million turnover manufacturing business and will focus on supporting both the Finance Director and local Management Team. Your primary objective will be to select and implement a new financial and management reporting system whilst ensuring the business has cogent financial controls which meet the Group's requirements. Operating across the entire spectrum of business activity, you will provide imaginative and effective leadership and establish the highest standards of performance measurements.

On achieving success within this project, you will operate from the Group Head Office and undertake Group-wide projects on behalf of the Group Finance Director. This will involve close liaison with senior personnel right across the business, requiring sound financial discipline and commercial judgement and giving you the opportunity to maximise your contribution to the on-going development and overall success of the Group.

This high profile and varied role demands a graduate qualified Accountant, who is likely to be performing a similar commercially focused role within another blue-chip organisation. A results-orientated individual, you will act as the catalyst that translates vision into reality and will enjoy having a major impact on this business; it will be your initiative and ambition combined with the requisite blend of experience and maturity and your 'can do, will do' attitude that really sets you apart. Ref: CPA/L/0026/A.

Finance Director

North Yorks/East Yorks Coast — **Package £50,000, fully expensed car**

This £50million turnover division manufactures a market leading product range to international customers. They are currently embarking on a major restructuring exercise which will result in investment in state-of-the-art technology.

As part of the Senior Management Team, you will play a lead role in the drive for continuous improvement, ensuring the business continues to ameliorate its profitability and achieves excellence in operating performance. As well as maintaining strong and effective financial control, you will be responsible for the development of financial and management systems to aid decision making across all business activities.

To succeed in this challenging role, you will need to be a graduate qualified Accountant, aged 30-40 and able to demonstrate an impressive track record gained at a similar level within a manufacturing/engineering business. Your hands-on, proactive approach and high levels of energy and commitment will be highly visible; it will be your robust personality and first class communication skills that give you the necessary presence and credibility to influence and deliver results. Ref: CPA/L/0026/B.

In the first instance, please write with a full curriculum vitae including daytime telephone number and current salary details and quoting the appropriate reference number, to: Julie Fleming, Stark Brooks Associates, 5th Floor, Yorkshire House, East Parade, Leeds LS1 5SH. Closing date for receipt of applications is Monday 1 December 1997.

Financial Recruitment Consultants

Leeds — STARK BROOKS ASSOCIATES — Manchester

SONY — Price Waterhouse

Divisional Controller

Central/Eastern Europe & Africa

£60,000 + attractive benefits *Basingstoke*

Setting the challenge
Sony Broadcast and Professional is a highly developed operator in Western Europe and certainly a leader in the field of Broadcast and Industrial products. Add to this the pioneering track record of the company and, hence, the expectations of the well renowned Sony Corporation worldwide. Currently one of the most exciting growth areas for the business is in the area of Central/Eastern Europe, Africa and Israel. Having set the broad context, let's take a closer look at....

...The Role
You will lead the small team that is responsible to the Divisional Director for managing and co-ordinating all financial planning, accounting and banking systems and sales administration functions. From the development and monitoring of procedures... to budget preparation... to continuous IS enhancement.. you will be providing a comprehensive measure of strategic input and operational control, both of them pitched to contribute positively to the commercial development of the region.

Persuasion...
... founded firmly on the credibility that comes from the undoubted qualifications and experience you will bring to the task in hand. You will have had a minimum of ten years' wide ranging, international financial, commercial and administrative experience, including exposure to rapid growth environments where your planning, organising and problem solving skills have been thoroughly tested. Confident, self-motivated and capable, you are also an excellent communicator; at home cross culturally and at all levels of business; computer literate, with exposure to SAP and open to positive change.

If so, you're more than equal...
...to meet this challenge and to discuss this position in more detail. Call our advising consultants, David Hunter on 0171 939 3661 or Charlotte Baker on 0171 939 3025. Alternatively write to them with a full career history, convincing them how you could make a difference and quoting reference L/1806 at:

Executive Search & Selection
Price Waterhouse
32 London Bridge Street
London SE1 9SY
Fax: 0171 378 0647
E-mail: Charlotte_Baker@Europe.notes.pw.com

North Manchester
c£55,000 + Car, Benefits

co-operative

Co-operative is one of the UK's largest Retail organisations. Current turnover is in excess of £1.5bn and the business has over 800 outlets including supermarkets, department stores and superstores in addition to funeral, property and motor trade subsidiaries. The business is very ambitious, committed to future growth and realising the true potential of their assets. Co-operative's immediate plans include significant investments in brand development, systems and high calibre senior management. They currently require two outstanding finance professionals for newly established roles.

BUSINESS PLANNING CONTROLLER

This role will co-ordinate the development of strategic planning processes across the society and be an active partner to all parts of the business in delivering strategic initiatives and solving operational problems. This will include enhancing the annual budgeting and planning process, especially at the strategic level and driving forward changes within finance in relation to cost control and the provision of relevant business information. You will liaise with key business managers to develop KPI's and information beyond routine finance reporting. You will be a graduate, qualified accountant with exposure to large, high volume commercial organisations and be highly IT literate. You will also need outstanding interpersonal skills, enabling you to communicate at all levels and influence decision makers at the strategic level. Ref: FT9722811

FINANCIAL REPORTING CONTROLLER

This role will focus on developing management information systems and reporting in line with changing requirements. You will move reporting towards a value added, forward looking approach. Managing a large function, you will ensure that Monthly Management Accounts are produced to agreed timescales and that their format truly reflects business requirements. You will develop reforecasting processes and co-ordinate the annual budget. Your aim will be to develop a department whose focus is less on historical profit accounting and more on higher level value added management information. In order to succeed you will need to be a graduate, qualified accountant with direct experience of financial reporting in a large organisation. You must be able to demonstrate strong management experience together with technical excellence and possess strong IT skills. Ref: FT9722911

These are newly established roles which present an outstanding challenge for the right individuals. Prospects for progression and promotion within the society are excellent. These appointments are being handled exclusively by Hitchenor Maher. Please reply in writing quoting the relevant reference number to Suite 1A Portland Buildings, 127/129 Portland Street, Manchester M1 4PZ. Tel: 0161 228 3005. Fax: 0161 228 0677. Email:manchester@hitch-maher.co.uk. Website:www.hitch-maher.co.uk

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Financial Recruitment
Offices in Leeds & Manchester

CITY CONSULTANCY – POTENTIAL PARTNERS

Our client is a unique City consultancy business which has grown rapidly since its inception in 1989. Over this period it has developed an exceptional client list including 25 of the largest 100 UK companies. The business advises clients at Board level on a wide range of shareholder-related issues.

Our client now wishes to recruit an individual with partnership potential to help take the business forward in the next phase of its development. This is an outstanding opportunity for a highly talented and motivated person capable of making an immediate contribution to a small, experienced and successful team. Candidates are likely to be in their late 20's or early 30's and to have experience of the City.

Contact Gary Hall at Hall Alexander on 0171 240 2101 or write to him enclosing a CV to the address shown below.

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Having achieved market dominance on their UK/Ireland/Paris & Brussels routes, they are now in the process of expanding their services throughout Europe and Scandinavia. Stansted will be the hub of their UK to Europe operations and its staff will rise from 100 to 350 in 1998. They now need to appoint a Commercial Controller to work with the senior management team in establishing and developing the business. Working with the Heads of Operations, Sales, and Engineering and reporting functionally to the Finance Director in Dublin, responsibilities will include:

- The development and implementation of the expansion programme.
- Managing the financial performance of the UK and European operations.
- The implementation and management of financial systems.

Likely to be aged 30 - 40, the successful candidate will be a qualified accountant with significant senior financial management experience gained in a professional and dynamic environment. Previous experience within the airline industry is not required. Of greater importance is the commercial acumen necessary to take the business to the next stage of development, combined with the maturity and confidence to be credible at all levels.

Interested candidates should apply in writing with full career details including salary, quoting reference *BWA29 to Gerard Moore. KPMG Selection & Search,* 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

KPMG Selection & Search

privilege INSURANCE

FINANCIAL ANALYST

"Adding value through strategic planning and analysis"

Leeds — **To £40,000 + Bonus, Car & Benefits**

Privilege Insurance is a direct writing insurance company which was launched three years ago, specialising in non-standard motor policies. The company was set up on a joint venture basis by Peter Wood the founder of Direct Line and the Royal Bank of Scotland Group. The business is well set in achieving its aim of becoming the largest player in the non-standard motor insurance market and is already expanding into new product areas such as household policies and is investigating numerous other ventures via affinity partners. This success and the company's appetite for growth has created the need to recruit an experienced professional to assist in the assessment, appraisal and pricing of new opportunities whilst continuing to monitor the performance of existing business. The successful candidate will be a qualified accountant with a number of years post qualification experience ideally gained within planning and analysis in the financial services sector. Reporting to the Finance Director and having extensive liaison with other senior managers in areas such as marketing and underwriting, you will possess a practical hands on approach and commercial vision to enable you to understand the link between the numbers and business success. This is a high profile role which will have a direct impact on the future shape of a growing business. This appointment is being handled exclusively by Hitchenor Maher, please reply in writing quoting reference FT9722711 to 27 York Place, Leeds LS1 2EY. Tel: 0113 247 0170. Fax: 0113 247 0191. Email:ft9722711@hitch-maher.co.uk, Website:www.hitch-maher.co.uk

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IT Appointments

JNR QUANTITATIVE ANALYST
INTERNATIONAL EQUITIES
TO £45,000 + BANK BENEFITS

As one of Europe's leading banking and broking institutions our Client has an enviable reputation for Investment Research, especially within the Equities Market. Due to expansion of their team they now require two Junior Quantitative Analysts to work within the Equity Strategy group developing mathematical models for pricing of UK and international equities. You will also be expected to provide various statistical information on an ad-hoc basis when required. You will be a graduate with a mathematical, physics, statistics or econometrics degree, ideally with a years' experience in the City markets. Proven experience of Java, C++ or Visual Basic is highly desirable. This is an induction program for new people incorporating the appropriate financial markets courses.

PROJECT MANAGER
INVESTMENT BANKING
£50,000-£65,000 + BANK BENEFITS

Our Client is a truly integrated investment banking organisation operating globally across a wide range of financial markets. Their groupwide strategy incorporates major developments across treasury products, interest rate derivatives, securities and equities. With a massive commitment to IT systems they are currently looking for exceptional people with a proven record in Project delivery and Object Orientated Systems, RDBMS (especially Sybase and Sequel Server) and the breadth of mindset to comprehend the complexities of the systems required to drive these projects to a successful conclusion. Ideally you will have a numerate degree and a background in the City trading markets from within investment banking, management consultancy or a Systems/Product supplier.

BUSINESS ANALYST
INVESTMENT MANAGEMENT
TO £45,000 + CAR + BONUS

Our client is one of Europe's leading independent investment houses operating from prestigious offices in the City of London, managing £10 billion of funds on a global basis for institutional, retail and private investors. The Executive support group provides business analysis and project management to support the development of the company and the management of change. Projects could include, investigations into new business areas, new instruments, products and new markets. Alternatively you could be reviewing external services and competitors to see if their practices could have a value added impact on business development. Ideally you will have 3-5 years business analysis experience gained in the financial services industry and possess first class inter-personal skills with the ability to sell/market ideas at board level.

SENIOR ANALYST
DERIVATIVES RESEARCH
TO £70,000 + BENEFITS

Opportunities rarely appear at this level within this highly innovative and sophisticated investment house, however, due to an internal reorganisation an excellent role is now available for a senior quantitative analyst with at least 3-5 years' experience of both fixed income, hedging and valuing securities and derivative instruments. You will be responsible for a team of 2 quants analysts liaising extensively with the trading floor developing new systems for global pricing models. You will have a numerate first degree most likely with a Masters or PhD in Maths, Theoretical Physics or Econometrics and a proven background in C or C++. This is a high profile role where your technical and inter-personal skills are of equal importance.

For further information on these and other positions please contact Rod Mackenzie at Zarak Group Technology on 0171-523 3720. Fax on 0171-523 3721 (01279-725683 evenings and weekends) or write to him at 37 Sun Street, London EC2M 2PY.
E-mail rmackenzie@zgt.zmb.co.uk

ZGT
ZARAK GROUP TECHNOLOGY

Roots in North America. Branching out in Europe.

The Bank of Montreal is one of North America's leading financial services institutions, and the first to offer a full range of services in all three NAFTA countries. Far from being content to rest on our laurels, we have an unshakeable commitment to continual development. Innovative products such as mbanx – our brand-new virtual banking enterprise, are a testament to that.

Nowhere is our commitment stronger than right here in Europe. This side of the Atlantic, we're forging ahead with new technology and new ideas.

Our European operations are centered in London at the heart of the city's banking community. As we look to the future, our plans are bigger than ever. Indeed, next year sees our biggest development yet. We can't say too much about it now. Suffice to say, it's creating some exciting opportunities, particularly in the fields of Telecoms and IT.

UNIX/NT Systems Administrator
Competitive salary + benefits

These days, Information Technology is one of the most powerful business tools, especially in an industry as fast moving as ours.

That's why we're looking for something of a human dynamo – a middle-weight UNIX/NT Administrator to come and join the team.

You'll be helping to monitor the performance of a variety of NT and UNIX based systems – in particular SUN O/S and Solaris. Through a combination of fine tuning, trouble shooting and systems enhancement and upgrades, you will be responsible, as part of the team, for keeping everything running smoothly.

Ideally from a finance background, you'll need to be self-motivated and eager to learn – an ambitious team player, quick to respond to all our users' demands. To really make your mark in this fast changing environment, you'll also need the perception to recognise new opportunities and the initiative to exploit them. Ref: 11/1117/F.T.

TELECOMS ENGINEER
Competitive salary + benefits

When you consider the global nature of our business, it's hardly surprising telecoms is central to everything we do. Right now, we're looking for an experienced telecoms engineer to oversee our entire Telecoms operations. You will ideally have experience in working with Mitel PABX and IPC Tradenet Dealerboard Systems.

Quite a responsibility, we think you'll agree. Especially when you consider that in addition to leading the day-to-day system support, we'll look to you to recommend and implement the technology for our new venture.

Dealing with people at every level, you'll need to be assertive yet diplomatic with the ability to assimilate complex technical information, then express it simply and clearly. The high pressure environment calls for a certain degree of resilience, and the shift work demands a more flexible approach.

At the end of the day, it's your ideas that matter. By constantly looking at the way we work, you will be influential in driving through and managing change across our telecoms environment. Ref: 11/1116/F.T.

Each of these opportunities comes with an excellent salary and an impressive range of benefits. The greatest of which is the chance to progress in a dynamic, forward thinking multi-national organisation.

Please send your CV to our advising consultants, LIA Recruitment Management, 12 Celbridge Mews, Porchester Road, London W2 6EU. Tel. 0171 243 1888. Please quote the relevant reference number.

Bank of Montreal
http://www.mbanx.com

Leading Financial Services Group

Use Your IT Skills in Group Audit

Central London

£ Very Competitive

Acquisitions, new business launches, restructuring and numerous major systems development projects have created increasing demands on our client's highly regarded group audit team.

Hence the need to increase the capability to undertake more wide ranging IT reviews throughout the group. Working closely with senior management, challenging assignments will include high profile risk and control appraisals and project management reviews.

Probably aged late 20s, applicants should have a computer audit or business analysis / systems consultancy background and preferably a professional qualification or MBA. Initiative and strong communication and reporting skills are essential.

This is a well proven entry point with a long record of promotion into the group. Where appropriate, further training will be provided.

Please write, enclosing a career/salary history and daytime telephone number, to David Tod BSc FCA quoting D/323/F.

FINANCIAL SOFTWARE WIZARD?

We are a small high-tech start-up. Our new "Business Planning" software technology stuns even the most hard-bitten businessman. We need to add some raw "unbridled" business and financial talent to our Central London based product development team.

Wa are an energetic marketing-lead management team, which can demonstrate a very impressive track record. Wa can offer reasonable remuneration (but not a 6 star salary), an equity position and a senior role in a firm that intends to IPO on NASDAQ in 3-5 years time.

Call if you can tick all five?

- Written business plans? ☑
- Financially qualified (ACA, CIMA etc.)? ☑
- Smart enough to spot the B"S" in company reports? ☑
- IT Qualified and enjoy programming? ☑
- Bursting with energy and drive? ☑

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Telephone 0171 704 9888 or fax your CV to 0171 704 8996
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Q. *Who turned down The Beatles in 1961?*

Q. *Are you going to respond to this ad?*

Banking, Finance & Securities Consulting

A. The answer to the first question is history. The answer to the second is a group of like-minded individuals making things happen in the financial sector; integrating banking organisations and delivering total business solutions.

The stuff of dreams? The contents of some fashionable management textbook? Or the work of the IBM Banking, Finance and Securities management consulting team. The people trusted by the world's banking community to make strategy happen, re-engineer businesses and apply technology pragmatically.

The team has grown rapidly and is now looking at its next phase of expansion. This is a business for those who can work in teams, with clients, on cross-border projects and who are looking for somewhere to hone their skills and expand their career horizons. This is a team that has plenty of opportunities for the right people, to seize and develop into substantial lines of business and serious management positions.

You will be comfortable working with senior management of global investment banks, or dealing with the challenges that new technology and new competitors are bringing to modern customer-facing retail banking. You are likely to have experience of delivering major change projects, not just talking about them. You will also be familiar with enough of the operational aspects of the global financial services marketplace to be consultants of choice to your potential clients.

If you think that your ambition matches ours, and that you have the ability to deliver effectively to a varied and growing clientbase, please send your CV and current salary details, quoting reference EDFTSC03 for Securities & Capital Markets, EDFTBO03 for Banking Operation and EDFTRB03 for Retail Banking, to: Beverly Munden, IBM Recruitment Centre, IBM United Kingdom Limited, PO Box 41, North Harbour, Portsmouth, Hampshire PO6 3AU.

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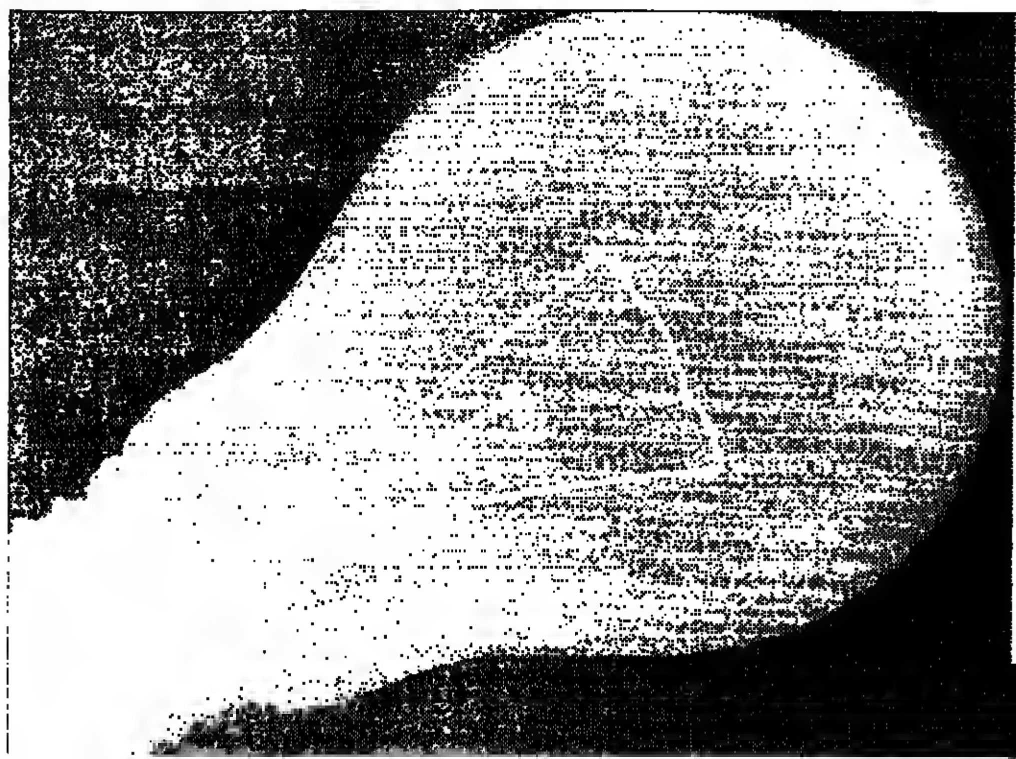
IBM
Solutions for a small planet

IT Appointments



Over the coming months, Logica finance division will be looking to recruit the brightest people in financial IT as a consequence of our growing reputation and strength.

The division has been responsible for some of the largest financial IT projects in Europe and had a turnover in excess of £50million in the last financial year.

You'll be part of a team, there are currently more than 400 of us – all highly motivated men and women, and have access to some of the smartest minds in the business.

We're happy to consider applicants from all levels – as long as you have genuine potential – from recent graduates to highly experienced consultants. We will tailor remuneration packages to suit.

Convince us you're bright about finance

Convince us you're smart about IT

Our business is to plan, design and implement innovative business process support systems for leading financial service institutions across the globe. With more than 10,000 successful projects since our establishment in 1969, we have developed a breadth and depth of experience in:

• Customer-facing systems and call centres • EMU strategies • payment, clearing and settlement systems • trading room systems • risk management • retail delivery systems • electronic banking • telebusiness • internet ...

If you're successful – and depending on the level of your experience – you could be involved in one or more of a comprehensive range of business and technical services such as • consultancy – understanding business objectives and translating them into appropriate information management or IT strategies • architecture – design and build of IT solutions • provision, customisation and integration of systems kernels and software products – either our own or those provided by third party suppliers.

You can expand (or gain) business sector experience in: • Trading • Investment Banking • Insurance • Retail Banking • Information Providers • Regulatory Authorities.

If you can convince us you are a consultant that implements...

logica

...write with a full CV, and salary details, to: Margaret Little, Logica UK Limited, 75 Hampstead Road, London NW1 2PL.
E-mail: jobs-uk@logica.com. *Web site:* http://www.logica.com

Drop-in Careers Desk: 10am-4pm, Mon-Thu, 51-53 Great Marlborough Street, London W1. (No appointment necessary).

BUSINESS ANALYST
SWAPS BACK OFFICE

Salary Negotiable + Banking Benefit

Our client is a major player in International Capital Markets and a leader in the European Fixed Income and Equities Market

An opportunity has arisen for an experienced Business Analyst to take a leading role in the analysis, design and implementation of a strategic Interest Rate Derivatives/Fixed Income administration system.

Responsibilities will include translating user requirements into a formal Business Process Model and functional specification. The analyst will need to communicate with the user community at all levels both formally during presentations, steering committee meetings and informally day-to-day. Finally the analyst will contribute to the production of functional test plans in conjunction with users

Skills Required:

- **Experience of large-scale development is essential with the ability to provide creative input to the structure of the back office solution.**
- **Deep understanding of interest rate derivatives in a Bank Office Administration environment.**
- **Familiarity with exotic interest rate products and exposure to integrated workflow solution would be highly desirable**
- **Practical experience of formal analysis methodology, including Business Process Modelling, ideally coupled with recognised case tools**

This is a chance to have your contribution recognised and work within an elite team. If you have a proactive, pragmatic approach and can succeed in a challenging environment please contact us immediately.

If you are interested in the above positions, please contact Danielle Lorenz or Louise Williams

Huxley Associates
INVESTMENT BANKING
17 St Helens Place, London EC3A 6DE

Tel: 0171 335 0005
Fax: 0171 335 0008
Mobile: 0976 721 437
Email: lwilliams@huxley.co.uk

EDP AUDITOR

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Headquartered in Bahrain, we are a GCC owned bank with an international presence. An opportunity has arisen within Audit division for an EDP Auditor to join a small team in a highly professional environment. Reporting to the Chief Auditor, the position entails managing a small team conducting reviews of data centres, system security, LAN/WAN, electronic payment systems, and developing interrogation packages for the financial audit team.

The person we are looking for should be aged up to 35, a qualified accountant with an EDP audit background gained either in a professional firm of accountants or within the financial services industry. Previous exposure to banking products and systems would be a distinct advantage. The incumbent must have excellent communication skills as the job entails dealing with senior management.

For the right candidate we offer an excellent tax free salary, performance linked annual bonus, free furnished accommodation and a host of other benefits usually associated with an expatriate posting. In the first instance, please send a detailed CV to the following address:

Box 6003, Financial Times,
One Southwark Bridge, London SE1 9HL

BANKING

Asset/Liability Management

Profitability Measurement

Financial Decision Support

SALES EXECUTIVES **OTE £90,000 + benefits**

PRODUCT CONSULTANTS **to £60,000 + benefits**

IPS-Sendero is the market leader in the provision of Asset/Liability and Profitability Measurement Solutions to financial institutions worldwide. We have opportunities for Banking and Finance Professionals to make a significant contribution to our ambitious growth programme throughout Europe, the Middle East and Africa. Sales Executives will use their consultative sales ability to identify, develop and win new business. Product Consultants will provide day-to-day service to existing client relationships. Both roles will involve frequent international travel.

Sales Executives will:
- demonstrate a thorough knowledge of Bank profitability and risk management concepts;
- have a track record of selling asset/liability or profitability measurement solutions for a software house, management consultancy or Bank advisory service;
- have outstanding interpersonal and influencing skills;
- be Graduates with Banking experience;
- be fluent in English and ideally in a second language.

Product Consultants will:
- demonstrate a detailed understanding of solutions for Bank profitability and risk management;
- be able to develop and maintain relationships at a senior level throughout the client base;
- possess strong analytical and modelling skills;
- be Graduates with several years experience in an Asset/Liability, Risk Management; Profitability Measurement or similar role;
- be fluent in English and ideally be conversant in a second language.

To apply, please write enclosing a CV to Heidi Smith at IPS-Sendero, Imperial House, 11-13 Young Street, Kensington, London W8 5EH.

Alternatively, fax to (44) 171 938 2752 or e-mail to heidi.smith@ips-sendero.com

IPS Sendero

FINANCIAL MARKETS IT PROJECT LEADER
GLOBAL TRADING SYSTEM BUILD

Genuine technical and business focused career challenge

City **£ Excellent package**

Our client is the highly successful, treasury focused trading entity of a truly global financial organisation. As one of the largest treasury operations in Europe, their expertise includes Money Markets, Foreign Exchange and Interest Rate Derivatives. With a commitment to IT systems which build competitive advantage for themselves and their customers, they are now looking for an exceptional financial markets technologist to help them deliver on this commitment by adding project leading skills to an already highly talented team. With a brief to globally develop Interest Rate Derivatives Trading technology, this London based project will be rolled out to Frankfurt, New York, Hong Kong, Singapore and Tokyo.

The role is to...
- take responsibility for the development and delivery of an Interest Rate Derivatives trading system architected and built on C, Unix & Sybase technology.
- provide technical guidance and leadership to team members throughout the full lifecycle of the project from functional specification, design and development through to integration and user acceptance testing.

You will...
- have an established front office, financial markets trading systems profile (any knowledge of interest rate derivatives is an advantage). Previous experience with C, Unix and a RDBMS is essential.
- be a full lifecycle development specialist with proven and complementary skills in the delivery of complex systems solutions (analysis, design, implementation).
- possess established team and project leading competencies along with the drive, vision, motivation and maturity to succeed in an environment where over achievement is the norm.

For further information, please contact Kevin Davey, quoting reference KDFT515, on 0171 247 7444. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax 0171 247 7475. Email: kdavey@mcgregor-boyall.co.uk or visit our web-site at www.mcgregor-boyall.co.uk

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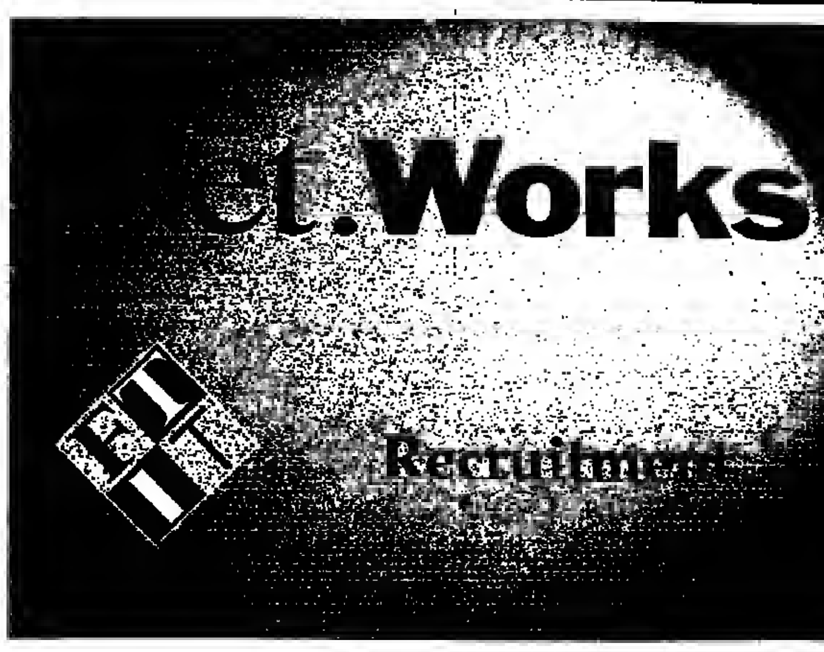
Business & Technology Selection for Financial Markets



The FT IT Recruitment section is also available all week on www.FT.com